



THE ROLE OF COOPERATIVES IN THE ECONOMIC DEVELOPMENT OF JORDAN

ABSTRACT

THESIS SUBMITTED FOR THE AWARD OF
THE DEGREE OF
Doctor of Philosophy
IN
COMMERCE

BY

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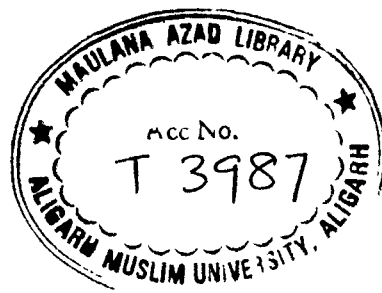
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A B S T R A C T

Jordan has inherited from the past serious economic problems, deep rooted poverty and general backwardness. The traditional practices of farming and manufacturing were a common sight in Trans-Jordan till 1947, when Hashemite Kingdom was established.

With the establishment of the Hashemite Kingdom, the country began to experience a change in the pattern of economic activities. The State Government took steps to create environment for the industrial development. However, there was not any perceptible change in the total economic scenario of Jordan. The development in the beginning was left to market forces which allocated more of the resources to private entrepreneurs in the towns and the cities. The country heavily depended on imports from Palestine to meet its requirements of consumption and exported the primary goods including the industrial raw materials. The industry consisted of small units engaged in making salt, cement, etc.

The Arab-Israel, War, 1967, brought in its trail the menacing problem of economic survival for Jordan. Jordan lost whole of rich agricultural land on the West Bank to Israel and went reeling under the pressure of large scale influx of

refugees. Immediately, the country had an acute problem of food, clothes and shelter. There were not many industrial activities in the country to provide employment to the people. The trade with West Bank had altogether ceased to exist. There was not enough foreign exchange available with the Government to finance its huge imports. The subsequent events made it necessary to develop the economy expeditiously. Growth and prosperity became the main objectives of the economic plans launched in 1973.

To deal with socio-economic problems in the post-war period, the plan gave priority to the development of agriculture. It was clear that the integrated projects would only be effective for agricultural development. As a consequence the Government established agencies in coordination with the National Planning Council in different regions. The Jordan Cooperative Organisation and the Central Bank of Jordan undertook development of cooperative societies to involve farmers in the agricultural development. The institutions made provision for seeds, implements, farm machinery, as well as the loans on easy terms to farmers. The farmers are being acquainted with the modern techniques of farming through cooperatives.

Inadequate credit to farmers in Jordan is a serious problem. They are indebted to landlords, money-lenders and

the traders. Majority of farmers depend on money-lenders for credit. Recently, a number of institutions including cooperative societies, have been set up to provide loans to farmers at concessional rates. For instance, the loan is provided by the Agricultural Credit Corporation, the cooperative credit societies, and the commercial banks. However, the small farmers are not able to avail of the institutional loans due to conventional terms and conditions. The small farmers are not in a position to furnish tangible securities. The big farmers get the institutional loans because they furnish the tangible security, due to sound financial position, political power and contact with officials.

The lack of uniformity in lending rates by different financial institutions illustrates absence of credit policy. It is suggested that the uniform lending policy would induce the borrowers to obtain loans from other sources, viz., the commercial banks, as well. The procedure should be simplified to avoid delay in the provision of loans. Improvement in agricultural credit system is crucial for higher productivity.

The government took initiative to establish specialised financial institutions to look after the credit needs of the

farmers in view of the significance of the agriculture for the economic development of the country. In 1969, the Agricultural Credit Corporation (ACC) was established with the capital contributed by the government. The ACC enjoys autonomy to raise funds by means of borrowings in the capital market within the country as well as outside. All the funds are used by the ACC to meet the medium term and the short term credit requirements of the farmers. The loans are supplied by the Corporation at concessional rates. However, it strictly follows the recovery schedule. It imposes a penalty at a 1 per cent on the defaulters. The projects are taken up for financing by the ACC in accordance with the national importance assigned to them in the development plans of the country. In this sense, the ACC is playing crucial role in the development of agriculture in consonance with the plans.

There is coordination between the ACC and other government agencies concerned with planning and the development of agriculture, viz., the Ministry of Agriculture. It seems that for ACC it is a matter of utmost significance to ensure security, liquidity and return of the funds. The financial institutions such as the Agricultural Credit Corporation can afford to relax the principles of sound banking in national interest. Besides, the sweeping

powers of the ACC in respect of the recovery of the loans are also inhibiting the farmers to avail of the credit facilities provided by the ACC. It has the power to realise the loans from the sale proceeds of the mortgaged property. It would be desirable if the ACC does not exercise these powers in the interest of the farmers who are generally poor and illiterate. A benevolent attitude on the part of the ACC to realise the loans and the interest will have a favourable impact on the farmers to finance their operations with the soft loans which the ACC supplies.

The Government further fortified the rural credit system by establishing the Jordan Cooperative Organisation in 1968. The JCO functions as an apex institution to invigorate the cooperative movement. It has been financing activities of both the agricultural and the non-agricultural cooperative societies, viz., the housing cooperative societies, the marketing cooperative societies, the processing and the manufacturing cooperative societies, and the multipurpose cooperative societies. Besides, the JCO has been undertaking multifarious functions. It provides technical assistance to the member cooperative societies. It provides the training facilities for the organisation Agricultural Council (AC), the Registry Department and the Central Bank of Jordan. These organisations of the Government have their officials on the

Board of the Agricultural Credit Corporation. The Board decides the lending and investment policies of the ACC in the light of the development plans. The Agricultural Credit Corporation does not compete with other financial institutions operating in the area. It does not sanction loans to farmers of the area where the financial institutions already exist.

JCO represents the cooperative movement in international forums. The JCO, besides being a financial institution, co-ordinates, supervises and directs the activities of the supervising and controlling body of the cooperative societies. Accordingly, the loans are sanctioned by the JCO to cooperative societies, it does not sanction loans directly to individual borrowers. However, only under exceptional circumstances, an individual borrower's application is considered for loan.

The procedure followed by the JCO is not free from defects. It lays emphasis on the credit worthiness of a cooperative society rather than on the need for loan. For instance, it assesses the financial position of a cooperative society on the basis of the membership, the share capital, the reserves and the deposits on the Current Account with the JCO. The default in repayment of loans by a cooperative society renders it ineligible for further loans. It puts

pressure on the cooperative societies for the timely recovery of loans from the borrowers. Sometimes, the farmers have to liquidate the assets to satisfy the claims of the JCO. Moreover, the JCO emphasises the actual utilisation of the loan so that the loans are not diverted to non-productive purposes. To have an effective control on the borrowers, it sends out the inspection teams for reports on the progress of the projects. Besides, the loans are released in installments as the work on project progresses. It is time consuming and adds to the cost of the project. It is therefore suggested that there should be relaxation in the procedure to remove delay, and reduce the cost of the loans.

Besides the financial institutions established by the government there are certain private agencies in Jordan financing the farming. The Jordan Valley Farmers' Association illustrates the private agencies which is a legal entity to function as private financial agency. However, its activities are regulated by the Jordan Valley Authority. However, it does not have power to pass bye-laws without the approval of the Jordan Valley Authority. Perhaps, the JVA is vested with the controlling power to direct the JVFA according to the development plan's priorities.



Money-lenders are deeply entrenched in the rural sector of Jordan. The small and the marginal farmers totally depend on them. The institutional finance is not generally available to them due to low credit worthiness. Besides, the loans are not provided by the financial institutions for social purpose. Therefore, they have to approach the money-lenders for loans. It is recommended that the financial institutions should include the social purpose as the genuine need of farmers for loans if their dependence on money-lender is to be done away with.

The private traders are also the willing suppliers of agricultural credit. The farmers are exploited in the process since the price is fixed by the traders. The farmers sell their produce to them under duress due to indebtedness. The financial institutions in the public sector should take cognizance of the exploitative traders.

Jordan Cooperative Organisation (JCO) Initially, the institutional system in Jordan was not adequate to meet the challenges of agricultural development. The Government took the steps to make the cooperative movement strong by establishing the Jordan Cooperative Organisation in 1968.

The Jordan Cooperative Organisation plays crucial role in implementing the projects under the Five year Plan. The JCO finances the projects for the modernisation of agriculture. For increasing the agricultural production, the JCO finances the projects for the purchase of farm machinery and implements. It also provides loans for the projects for the soil conservation, preservation of humidity and water management. In 1990, it is to provide medium-term loans of JD 239,000. For seeds, fertilisers, and chemicals, the JCO earmarked JD 350,000 in 1990. An amount of JD 33,000 is allotted by the JCO for the development of rangeland. The JCO has a provision of JD 196,000 for the training centers.

The consumers' cooperative societies have been operating in various parts of the country to serve as outlets for the agricultural produces. The consumers cooperative societies endeavour to put an end to the exploitation of farmers by the traders. The consumers are also able to get the agricultural produces at reasonable prices. An amount of JD 2.5 million is provided for the development of cooperative marketing societies in Jordan. Besides, the construction works schemes have also been undertaken by the JCO to provide buildings to the cooperative societies. During the Five Year Plan, 1986-90, a fund of D 1879.5000 has been provided in the

budget of the JCO. The JCO has started building storehouses for holding the buffer stocks of foodgrains. It has drawn up a plan for the storehouses at a cost of JD 445,000.

The Jordan Cooperative Organisation also undertakes numerous important projects in the non-agricultural sector. For instance, industries have been set up by the JCO in rural areas to supplement the income of poor and the marginal farmers and also to stem the migration of the population from villages to towns and cities. Besides, there is a comprehensive project to develop the cooperative transportation societies in rural areas. The Jordan Cooperative Organisation has provided loan of JD 137,345 to the non-agricultural cooperative societies. It constitutes 14 per cent the total loans sanctioned during 1986. The short-term loans claimed 55 per cent of the loans advanced by the JCO to the non-agricultural sector of the total loans, the JCO provided 86 per cent to the Agricultural cooperatives. In this sense, the agricultural sector received priority in the allocation of funds. However, the seasonal loans constitute the major component in the pattern of distribution of loans to the agricultural sector.

However, the JCO's efforts have not been effective to attract the farmers to the modern methods of farming. It has been observed that the farmers are not generally willing to

avail of the credits provided by the JCO. It is attributable to the inconvenience to the farmers in obtaining the loans from the JCO. The procedure is time consuming and the terms and conditions are stringent. The JCO determines the amount of the loan to a cooperative society on the basis of its capacity. Its capacity is measured by the amount of capital and reserves of a society. Besides, the JCO lays emphasis on the security of the funds. It, therefore, takes into consideration the value of security furnished by a cooperative society. The viability and the national importance of a project is thoroughly examined by the JCO's experts. The farmers are too illiterate to prepare a sound project to meet the approval of the Jordan Cooperative Organisation. The purpose of various conditions is to ensure effective and efficient utilisation of funds. However, the conventional principles of lending and investment should be relaxed to fulfill the credit needs of the farmers. The small farmers cannot fulfill the conditions of securities and guarantees.

The JCO should not follow rigid rules for lending funds to the cooperative societies. It is desirable that the need of the farmers gets precedence over the safety of funds. The financial resources at the disposal of the JCO also constitute a major constraint on its capacity to fulfil the

credit needs of the cooperative societies. Its resources comprise the capital, reserves and the loans and advances from internal and the external sources. It is necessary that the JCO should expand its banking activities to mobilise small savings. These measures would go a long way in making the JCO an effective organ to promote and develop cooperative societies for agricultural development on the one hand and invigorate the economy of Jordan as a whole on the other.

Lending in rural areas is not an easy task. Besides financial constraints, it does not have adequately trained staff. It requires considerable reorientation of attitudes, policies, procedures and styles of operation. It involves going out to people, and not waiting for them to walk in. The cooperative banks provide institutional framework for the rural development. It is a serious problem of the country to raise the standard of living in rural areas and to stem migration of population to cities in search of jobs. Better job opportunities and the higher living standard can be realised when there is a specialised credit institution to provide funds to the cooperative societies. With these objectives in view, the Jordan Cooperative Bank was set up in 1971. The Bank is a wholly owned subsidiary of the Jordan Cooperative Organisation. The bulk of the funds come from the

accumulated reserves of the JCO and the Central Bank of Jordan. The share capital of the Bank is JD 1 million fully subscribed to by the Jordan Cooperative Organisation. Besides, the Deposits and the Current Accounts are the major components of the financial structures of the Jordan Cooperative Bank. For instance, the deposits and the Current Accounts were 40.1 per cent of the total resources of the Bank in 1989.

However, the Bank faces some serious problems in financing the cooperative societies. The small farmers and the landless workers are not able to get the loans from the Bank due to ignorance, illiteracy and poor credit worthiness. Credit facilities to such farmers can become available if the right type of rural credit system is developed, through a well-developed and well-designed recruitment training programme, supported by a system of incentives and rewards. In villages, it is not sufficient to provide credit, but also the knowledge and the information on inputs and marketing is equally essential. Of no small consequence is the fact that the programme to develop entrepreneurship among the villagers should be prepared in association with the local people. So far, the man behind all these activities has either been ignored or not considered important at all. The potential

borrowers should be identified and trained in all aspects of management.

A cursory look at the working of the JCB suggests that the current practice of the Jordan Cooperative Bank to fulfil a given target has been responsible for ineffective utilisation of the funds. The target oriented approach leads to faulty appraisal. This, in turn, gives rise to the problem of tardy supervision and consequent diversion of funds. Besides, thinly spreading of resources over large areas is neither conducive to rural development, nor to optimum utilisation of available resources. In my opinion, it is essential for banks to adopt integrated 'area approach' in place of the target-oriented policy.

In Jordan, spontaneous growth of cooperatives has not taken place because of the predominance of the State in their management. As a result, the cooperative institutions at higher niche owe their existence to the initiative of the Government. No wonder, therefore, these federations regard themselves as government departments. This attitude runs counter to the cooperative principle of mutual help. It is necessary to develop a cooperative common-wealth on the basis of the principle of mutual help which should involve independent and separate cooperative societies formed by the

weaker section of the society. Even in the overall strategy of agricultural development, it seems pertinent to have cooperative federations including the cooperative banks, A greater emphasis on 'cooperative federalism' would result in a more balanced development of the rural sector.

The Jordan Cooperative Bank occupies an important place in the entire cooperative credit system. The future of the Jordanian farmers depends upon the Jordan Cooperative Bank. In future, the Bank should support the entire agricultural production process. In fact, the Jordan Cooperative Bank must widen its scope to provide loans for all-round development of rural sector.

The cooperative movement in Jordan is oriented towards the development of agriculture. The agricultural development has been regarded as the pace setter of the economic development in the country. In this sense, the cooperative societies are instrumental to the development and progress of the national economy.

The Arab-Israeli War made it necessary to reorganise the cooperative movement in Jordan because of the loss of 60 per cent of the cooperative societies in the West Bank. The Cooperative institutions had suffered heavy losses by way of

assets confiscated by the Israelis. To achieve this objective, the Provisional Cooperative Law No.55 was passed in 1968. It envisaged to establish the Jordan Cooperative Organisation (JCO) in 1968 to manage all the activities of the cooperative societies in the country.

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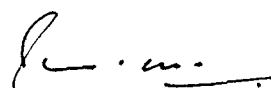
CERTIFICATE

This is to certify that Mr. MOFID MOHD. HASSAN ABU ZANAT has completed his thesis entitled " THE ROLE OF COOPERATIVES IN THE ECONOMIC DEVELOPMENT OF JORDAN" under my supervision and guidance. It is his own work and to the best of my knowledge it has not been submitted for the award of any degree in this University or anywhere else.

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D E D I C A T E D #

TO #

MY FATHER #

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ABBREVIATIONS USED

ACA	Agricultural Credit Agencies
ACC	Agricultural Credit Corporation
CB	Commercial Bank
CBJ	Central Bank of Jordan
CCS	Cooperative Credit Societies
CI	Cooperative Institute
GDP	Gross Domestic Product
HAC	Higher Agricultural Council
JAMO	Jordan Agricultural Marketing Organisation
JCAU	Jordan Cooperative Audit Union
JCB	Jordan Cooperative Bank
JCCU	Jordan Cooperative Central Union
JCO	Jordan Cooperative Organisation
JD	Jordanian Dinar (Currency)
JVFA	Jordan Valley Farmers Association
LRD	Land and Rural Department
MOA	Ministry of Agriculture
NPC	National Planning Commission

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PREFACE

The present thesis entitled "The Role of Cooperatives in Economic Development of Jordan" is the modest endeavour to critically appraise the contribution of cooperative movement to economic development of Jordan. Increasing importance of cooperatives in Jordan is the result of interaction among technological, economic and social phenomenon. The cooperative development is rightly equated with economic progress and found compatible with social justice.

STATEMENTS OF THE PROBLEM

The vortex of poverty has given birth to cooperative movement in Jordan. It is a legacy of the past. The central problem of economic development in Jordan is the regional imbalance. It is a matter of national security to be self-sufficient in food. The objective has remained elusive because the agriculture is not modernised. The cooperatives are the only institutions to fulfil the objectives of modernising agriculture. The cooperatives are catalysts to prove the way for balanced economic growth and development.

Research Methodology:

The research methodology is based on the principal of scientific procedure of thesis - writing and present the problem in its true perspective.

It is the fruit of my painstaking efforts for several years that I have been able to support my thesis with data delve into research material from authentic sources. I utilised much of my time in visiting all the important centers, organisations and libraries in India, as well as abroad, to collect material for my research work. I came to realise that there exists very little research material at many centres to shed light on economic problems of Jordan. I have consulted learned scholars of different organisation viz; International Cooperative Alliance New Delhi, Jordan Cooperative Organisation, Jordan Cooperative Bank, Jordan Cooperative Institute in Jordan, Jordan credit corproation, Department of statistic in Jordan, West Asia studies centre Aligarh Muslim University, Aligarh and various other cooperative centres in Arab countries viz; U.A.E. Saudi Arabia and Iraq for collecting materials.

The secondary data has been collected from different sources, viz; The Jordan Cooperative Organisation Annual Reports and Annual surveys of individual cooperative centres for various years which have been a great source of assistance in the course of study. Besides, Journals periodicals and dailies for different years, have also been

the source of assistance. The analysis of data has made the researcher to reach on certain conclusions and recommendations.

Day-out of the work:

The thesis has been divided into seven chapters. The first chapter, viz; 'The Economy of Jordan', traces the legacy of poverty from the past. It substantiates the contention that various circle of poverty cannot be broken without cooperatives which are playing an important role to balance savings and investments within the framework of national economic development.

The second chapter viz, Agricultural development in Jordan, highlights that their are two major constraints such as high cost of modern agriculture practices and uncertain return which have been the main problems in the country. The cooperatives are looked upon as institutions to moderate the cost by undertaking supplies of modern inputs at subsidised rates and to secure remunerative prices for agriculture produces for the farmers. The third chapter viz; 'Financing

of Agricultural Sector' deals with the credit requirements of the farmers. The fourth chapter viz; "Jordan cooperative organisation" dwells upon the role of Jordan Cooperative Organisation in development of Cooperative movement in the country. The activities of the apex institution have been highlighted. In the course of the study, it has been discovered that the mammoth organisation has tended to become unwieldy. Therefore, it is necessary to have specialised autonomous bodies to perform different functions. The procedure for the allocation of funds to suit the need of the borrowers should also be amended. The fifth chapter viz; "Role of Jordan Cooperative Bank in financing Cooperative Societies" underline the Lacunae in disbursement of funds. The Jordan Cooperative Bank follows conventional banking principles for safety of funds rather than the objective of productive use of funds. The Researcher has made certain suggestions to incorporate changes in the principles and practices of Jordan Cooperative Bank. The sixth chapter viz; "Cooperative Societies as an instrument for Economic development in Jordan" traces the growth and development of cooepratives in Jordan. The development of Cooperatives in Jrodan has been the out come of Jordan legislation. The seventh chapter deals with the summary and recommendations.

It has been suggested that cooperatives are the institutions which can remove poverty, bring about progress and prosperity and raise the living standard of the rural masses provided the government of Jordan is expected to follow the suggestions made by the researcher.

CHAPTER-I #
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THE ECONOMY OF JORDAN #
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Chapter 1

THE ECONOMY OF JORDAN

Jordan has inherited from the past serious economic problems of deep rooted poverty and general backwardness. There was total dependence of the country on the primary industry. The primary industry was not run a business during the days of trans-Jordan. The farmers used to grow foodgrain for self-consumption. There was total absence of the means of transportation and communication between villages and the towns. The cluster of villages formed a single unit. The trade was not exposed to competition. The traditional practices of farming and manufacturing were a common sight in Trans-Jordan till 1947, when Hashemite Kingdom was established.

The economy of Jordan is characterised by limited natural resources. Jordan was previously known as Trans-Jordan. The Hashemite Kingdom of Jordan was officially born in 1947. It was expanded in 1950 when the district of Samaria and part of Judaea were merged into the Kingdom of Jordan. The country is bounded by Syria in the north, Iraq in north east, Saudi Arabia in the South-east and Palestine in the west. Its total area is 97,740 sq. km. with a total population of 3,804,000. Trans-Jordan was a backward state.

The British government used most of its funds for the maintenance of law and order in the territory. It did not incur capital expenditure to develop the country economically, as is evident from the absence of social and economic infrastructure which is indispensable for a country's economic development. The pressure of population on land only added to misery and poverty.¹

PROBLEMS OF ECONOMIC DEVELOPMENT:

The three main sectors of Jordanian economy are those of agriculture, manufacturing industries and service including public utility services. A brief account of the problems of development of different sectors of the economy has been presented in the following paragraphs.

The development of a country depends upon its human resources. Since 1950, the population of Jordan, including the Palestinian refugees, has been increasing steadily at the rate of about 3 per cent per annum. As a result, it increased to approximately 2.1 million after the Arab Israel War in June 1967. Of this total, 720,000 were registered as refugees with the United Nations Relief and Rehabilitation Agency.²

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1. W.E. Fisher, Physical and Social Geography, The Middle East and North Africa, 36 Edition, Eurob-Publication, 1990.
 2. W.B. Fisher - Jordan - a demographic shatter half - University of London Press 1972.

Arabs comprise the predominant ethnic group in the country with small segments of Circassians, Turkomons, Chichans and Armenians. Arabs are known to have settled in the area quite early, as a result of their movement to the north in search of fertile lands, since they were nomadic tribes. Some groups settled on the fringe of the South Crescent, others continued their semi nomadic movement since the areas where they settled could scarcely supply sufficient food to them.

Jordan has three distinct types of people, viz. the sedentary ones who are settled in the north-west of the country, the semi-nomadic people who are found in the south and the fully nomadic tribes who are spread over the rest of the country. The sedentary people, who have a settled life inhabit the districts of Irbid, Ajlun and Jarash. The main centres of semi nomadic groups comprise the districts of Amman and Salt. They undertake both farming and pasturing. The nomadic are not fully settled in any particular area. They move to the desert during the rainy season and to the Jordan Valley during summer and for Winter seasons. The main occupations of nomadic tribes in Jordan are animal husbandry pasturing and cultivation on small holdings of land when available, especially in the Jordan Valley.

Authentic accounts of the economy of Trans-Jordan during 1940's show that the condition of the common people of the country was quite bad. The country was backward in almost every respect; national income, per capita income, contribution of the main sectors (primary, secondary and tertiary) to national domestic product, public finance, distribution system, and living standards, etc.

Since very few industries existed to provide job opportunities, there were wide disparities in the distribution of national income. Only two economic groups existed in the country - the rich and the poor, the latter being in a vast majority.

A study of the demographic pattern during the period under review brings out two important features: a large chunk of population living in rural areas mainly dependent on grazing cattle in areas where land was not available. Agriculture was the main occupation in areas where land was fertile and irrigation facilities existed. Trans-jordan's agriculture covered a total area of 4,45,000 ha. in the highlands of the north west, 93% of which was rainfed and the average annual rainfall in agricultural areas was a mere 500 mm. In the Jordan Valley, a primitive irrigation system existed involving much waste of water. This too covered only about 7% of the total cultivated area. Farmers only wanted to

be self-sufficient in meeting their bare necessities, viz., food, clothing and shelter. They produced negligible quantities of foodgrains for the market. Almost everything they needed was produced by members of their families. They lived in thatched huts or houses built of mud. The village industry was not exposed to market conditions due to lack of an adequate transportation and communication system. In other words, the rural sector did not contribute much to the national income.

Trans-Jordan has not been favourably endowed with mineral resources. Its main mineral resources comprise phosphatic rocks, limestone and salt obtained from the Dead Sea. A company was established in 1936 to exploit phosphate for a fertilizer plant in Palestine. Phosphate was a source of earning foreign exchange and enabled the country to finance its imports to some extent.

Industry in the form of factories was almost non-existent in Trans-jordan, except the Agro-industry. There were a number of tobacco factories in Amman, three small units of distilleries near Salt and few food processing Units. Not many workers were employed in the industrial sector which comprised just a few small scale industries. Hence the contribution of industries to the gross domestic product was negligible.

The service sector which serves as a backbone of modern economy was not fully developed. There were only a few tailoring houses and the dyeing units. In other words, complementary activities of banking, insurance, warehousing and transportation, communication were most inadequate.

The share of Trans-jordan in the trade with neighbouring countries was not substantial. It exported primary goods to a limited extent and imported essential consumption goods, including food, cloth, petroleum, sugar, rice and kerosene. Such a pattern of trade continued for a long time which led to an unfavourable balance of trade. In the light of above facts an attempt has been made in this chapter to give an account of the main sectors of Jordanian economy.

Agriculture

Agriculture is the primary industry of Jordan. It has to be developed to meet the demand of food and to supply industrial inputs. Extensive method of cultivation must be preceded by development of irrigation, expansion in the transportation of agricultural inputs and supply of farm machines, tools and implements. Credit supply is the crux of the problem confronting the farmers in rural areas. Besides, productivity of land has been undermined by ever increasing

pressure on land, specially following the influx of people from Israeli occupied territories since 1967.¹

Private capital is hard to come by in sufficient amounts for financing agricultural projects. The main thrust of agricultural development projects should be in the direction of realising higher productivity with the application of modern techniques of intensive cultivation and better farm management.

Efficient farm management presupposes the establishment of service stations, research institutes for development of high-yielding varieties of seeds, adequate supply of insecticides, pesticides and fertilisers. Since private sector accounts for 50% of total agricultural production in the country, it is essential that cultivators are educated and trained properly in modern techniques of farming. Educational institutes at primary and secondary level should be entrusted with the responsibility to impart farm education and polytechnics should be established to conduct diploma courses under the supervision of the Ministry of Agriculture. Model farms can be established for imparting practical training in farming to students who desire to take up farming

1. Prof. Samiuddin, Cooperative Movement in the Arab World, Faculty of Commerce, A.M.U., Aligarh, India, 1982, p.34.

as a vocation or aspire to join administrative services related to the management of farms. Ministry of Agriculture should find resources to finance institutions catering to the developmental needs of agriculture.

The schemes already completed have begun to yield dividends. The East Ghor Project at Yarmuk, a tributary of the Jordan river, has made a tremendous impact on the pattern of cropping. Commercial crops now cover more than half of the cultivated area of the country. Vegetables and fruits are grown especially for export to the Gulf. However, there is a sizeable percentage of farmers who continues to grow the traditional crops of foodgrains. An irrigation project to harness Jordan River water remains unimplemented because of disputes over water distribution among neighbouring States of Lebanon, Iraq, Syria and Palestine.

The Ministry of Agriculture has done a commendable job in extending services of experts to demonstrate modern techniques of water management and soil conservation. The primitive methods of irrigation were wasteful of water and led to soil erosion. Farmers are also provided credits by cooperative societies to procure pesticides, insecticides and fertilizers, besides using new high yielding varieties of seeds.

However, the schemes of the Ministry of Agriculture have yet to meet the needs of agricultural development. This calls for a fresh look at the problems involving the reorganisation of the Ministry itself to plan the development. Departments of Animal Husbandry and Cooperation should be attached to the Ministry of Agriculture. For an integrated approach to the planning of agricultural development, plantations of olives, vines and other trees in areas which are at present mainly pastoral should be encouraged. This is necessary to yield good returns in terms of production for the international market. There must be a properly developed infrastructure, including construction of approach roads, and means of transportation for movement of inputs and products. Extension services to survey the area, sample the soil for laboratory tests, supply of power to rural areas should be given priority for speedy agricultural development.

Though such fruits as table grapes and bananas can be grown over a wide rain-fed area, their plantation is not encouraged lest the local market should experience a precipitate fall in prices. The government should initiate a scheme to establish cooperative warehousing societies for regulating the supply of fruits. Besides, for the export of fruits and vegetables, certain other projects will have to be

undertaken. It should be possible to capture the market in the neighbouring countries by means of the standardisation, grading and packaging of such goods. These measures would result in avoiding depression in the local market while earning foreign exchange to meet food scarcity resulting from population explosion after the Arab - Israel War in 1967.

Land reforms are also urgently required to raise farm productivity. In East Ghor area, land-holdings are being fragmented under the mounting pressure and rents are hiked by the landlords who do not live in the villages and take part in agricultural operations. Their tenants cultivate lands and have little incentives for bringing about improvements in land because of an acute sense of insecurity. Land does not belong to them. Such a situation is hardly conducive to the modernisation of farming. Again sizes of farms are not larger enough for mechanised farming and application of chemicals. It can be achieved if further fragmentation of land is checked and cooperative farming is done by pooling land and funds. The State should promote farming cooperatives in the larger interest of the country viz. higher productivity to grow food enough for the country's ever increasing population.

A legislation, i.e. the Canal Law, was the first ever attempt on the part of the state, though implemented in the

East Ghor canal solely, to increase the land productivity. A salient feature of the Land Reform Act, the Canal Law, was to impose a ceiling of 20 ha for each landlord. This ceiling was meant to release surplus land for redistribution among marginal farmers who were to be given a minimum of 3 ha of agricultural land with the purpose of raising their income, so that it is sufficient for the average agricultural family.

The law, however, ignored two major segments of rural population, viz., the tenants and the landless workers since no land was allotted to them. Also no schemes were introduced to offer alternative jobs to them. Thousands of landless workers and tenants were reduced to dire poverty since farming was mechanised. They had not acquired training and skill of handling and operating machines. The jobless workers, including the tenants, only added to the menacing problem of unemployment in the country.

The Ajlun and Amman Highlands are agricultural areas of the country. The region's farming activity is facing the acute problem of soil erosion caused by reckless felling of trees for fuel. The state should have encouraged plantation activity to overcome this problem. Today, the bare steep slopes of the highland, the instability of the soil structure, rapid flow of water and absence of infiltration of

water through the pores, are responsible for erosion of fertile top layer of the soil which tends to render the fields barren and unsuitable for cultivations.

The government has adopted the policy of tree plantation in the region, limiting animal husbandry and checking the tendency of grazing on the land. The phenomenon of bare fields in the winter when precipitations is highest in the region (from November to February) is attributed to lack of crop rotation. Wheat and barley are traditionally grown without following the method of crop rotation. This has reduced land fertility to such extent that vegetation does not grow in winter when there is heavy precipitation.

The state policy has failed to produce positive results. Overgrazing still goes on unabated and there is lack of the practice of crop rotation. Between 50% to 70% of agricultural land is devoted to growing wheat and barley. Soil erosion is caused by lack of stability of the soil when it is wet from precipitation during the winter. This adds to widespread erosion of soil in the region.

Northern highlands are exposed to soil erosion due to rapid flow of water down the slopes. Soil is deposited at the beds of canals and those of the dams constructed by the Government in the 1960s. However, the scheme was not extended to other regions viz., Ajlun and Amman owing to

financial constraints. The villagers have been induced to prepare traditional dams under the supervision of conservationists to regulate the discharge of water from fast flowing drains. This has paid dividends in terms of soil conservation resulting in fertility of the farm lands. The vegetation grown in the drains and the plains have reduced the flow of water through them.

Besides, it was necessary to educate farmers about the uses of crop rotation and modern agricultural practices. As a result, there has been increase in the area under cultivation of commercial crops of olives, vines, citrus etc.

In the West Bank the main crops are wheat and barley which comprises the staple food of the people. Goat and sheep grazing is quite common in this part of the country. It provides meat to the people for their food. However, modern agricultural practices were adopted quite early in the region as compared with other parts of the country, as evident from olive and vines grown there. In general, the West bank is more prosperous than the East Bank. Adverse physical and socio-economic conditions do not permit further expansion in the cultivated area.

East bank is the least fertile area of the country and much of its land under cultivation is marginal land, i.e., it

is in the hands of those carrying on subsistence farming, producing little surplus for the market. The main problem on the East Bank is the wind blowing from deserts which carries away the top soil with it. It is necessary to protect these farmlands from erosion for better productivity by erecting artificial wind breakers.

South has minimum rainfall in winter and low precipitation. These two natural constraints put a check on any efforts to raise productivity of farm land. However, surveys in the region have revealed sub-soil water reservoirs and the possibility of harnessing the winter rain water in artificial dams. It is necessary to exploit sub-soil water and conserve rain-water in dams for regular irrigation of the fields. Without an irrigation system the area cannot be turned into a green belt, and self-sufficient in foodgrains.

The credit requirements of farmers to finance agricultural operations amount to about JD 1 million.¹ The credit system in the country has to be reorganized, especially for greater coordination between various agencies engaged in rural credit supply. It is desirable to extend the activities of the Agricultural Bank to enable it to serve as a channel for distribution of credit among farmers. Cooperatives have played a useful role in the supervision of credit to borrowers. Nevertheless, there are still serious

1. Department of Statistics, Statistical Year Books Amman, The Hashemite Kingdom of Jordan, 1972.

TABLE 1
AGRICULTURAL PRODUCTION IN JORDAN
DURING THE PERIOD 1964-72

	'000 tonnes				
Major Crops	1964	1966	1968	1970	1972
Wheat	294.7	101.1	95.1	54.1	211.4
Barley	97.2	22.8	19.7	5.3	34.0
Lentils	25.1	11.0	10.8	5.0	22.4
Vetch	13.2	6.9	2.3	2.5	6.8
Tomatoes	227.8	144.6	127.3	137.4	152.7
Eggplant	41.7	50.4	27.0	23.1	32.5
Cauliflowers	35.9	21.6	10.8	10.9	13.2
and Cabbage					
Water melon &	159.8	41.7	36.4	22.5	63.0
Melon					
Cucumbers	64.3	39.6	2.5	6.8	18.7
Broad beans	16.2	10.7	7.1	5.1	5.1
Olives	97.1	32.7	12.6	3.0	35.0
Bananas	8.2	16.8	5.5	8.2	6.7
Lemons Oranges &	37.1	57.2	17.6	3.8	4.9
Other Citrus					
fruits					
Grapes	76.9	61.9	7.6	6.2	18.1

* Includes West Bank

Source: Department of Statistics, The Hashemite Kingdom of Jordan, Amman, Statistical year books 1969, 1970, and 1972.

problems of rural indebtedness due to high rate of interest charged by creditors and the eviction of defaulting farmers from their lands.

No agricultural development would be meaningful without sound land tenancy rules. To alleviate the sufferings of the farming class, it is desirable to reschedule the payments of interest and repayment of loans in accordance with the paying capacity of the borrowers. Public funds should not be diverted to meet the requirements of rural credit. Public credit institutions should enjoy as much protection of their right to claim repayment as a private creditor.

In spite of all this agriculture in Jordan has made good progress. It employs 33% of the total working population and contributes 20% of the GNP. There has been perceptible change in the crop pattern. Wheat is now the staple crop, covering an area of 2.2 million donums (0.22 million ha) and production crop. Besides, trees of olives, vines, citrus, fruits etc., are grown in marginal lands.¹

Table 1 gives an account of improvement in agricultural production. The impact of Arab-Israeli War (1967) is evident from steep decline in agricultural production in subsequent

1. Jonson Hopling, The Economic Development of Jordan, London, 1979.

TABLE 2
Livestock Numbers in Jordan - ('000 head)
1964-72

Live Stock	1964	1966	1968	1970	1972
Sheep	803	1136	792	664	723
Goats	651	766	400	350	405
Cattle	65	78	40	32	46
Camels	10	17	13	10	16

* Includes West Bank

Source: Department of Statistics. The Hashemite Kingdom of Jordan, Amman. Statistical Year books, 1969, 1970 and 1972.

years. However, Jordan made up the loss of 67% agricultural land in the Israeli-Arab War by resorting to modern intensive techniques of cultivation. It brought about substantial increase in the domestic supply of foodgrains, vegetables and fruits.

Pastures have been developed where only blades of grass and vegetation can grow. They are good pasture lands for grazing sheep, goats and other cattle. Developed means of irrigation and modernisation of agriculture have resulted in increased farm productivity bringing the country almost to the level of self-sufficiency. The drought resistant varieties of plants in deserts have added to food supplies. The future of Jordan's agriculture looks bright as the traditional agricultural practices are giving way to modern methods of farming.

Table 2 depicts declining trend in the number of livestock due to scarcity of cattle feed and transformation of grazing land into fruit and vegetable growing areas. Mechanisation of farming also accounts for the decline in the number of livestock. However, the goal is developing dairies by supplying good breed of milk cattle. It also includes schemes to increase the number of goat and sheep for meat, hide and skin to fulfil the domestic demand for the animal products.

Minerals

Hashemite Kingdom of Jordan is not favourably endowed with minerals for commercial purposes. Phosphate, potash, limestones, iron and copper reserves were mapped out by geological surveys, together with petroleum. These surveys have ruled out the possibility of any success in tapping petroleum, copper or iron ore since deposits of these minerals are too little to be profitably exploited.

Phosphate is the chief mineral found in the country. It is exported to India, Poland, Czechoslovakia and Yugoslavia. Er Ruseifa began to yield a high grade of phosphate as early as in 1930. Further prospectives pointed to phosphate deposits in the region extending to Hasa. Between 1952 and prior to the June 1967 war, production of phosphate increased from 25,000 tonnes to 1 million tonnes. It was estimated to go up to 2 million tonnes by 1975. This target was difficult to realize due to technical constraints and transport bottlenecks. At Er Ruseifa works, the open cast method is used. More phosphate can be mined if modern technology is used. The increased volume of exports warrants development of transport facilities for the shipment of minerals at Aqaba port.

A commission, appointed by the government, recommended foreign collaboration for mining phosphate. It ruled out the

participation of private capital. It recommended an investment of JD 7,50,000 over a 10 years period by the Government to modernise the process of quarrying and provision of port facilities in collaboration with foreign countries.

Potash is mined at Kallia. Large scale production of this mineral can be undertaken in the country if technical know-how and experience are forthcoming by way of projects taken up in collaboration with foreign countries. If plans for rehabilitation of the potash mines at Kallia and its purification for obtaining a higher grade value of the mineral, are undertaken, it would facilitate the manufacturing of potash sulfate in the country. It is estimated that the project would involve a cost of JD 75000. Foreign capital should be invited to finance the project. Import of technical knowhow and machines is necessary for the purpose.

High quality limestone is available near Amman. It is used as raw material in cement industry. However, high transport cost has diminished the prospects of its export.

Industrial Development:

Industrial development in Jordan is handicapped by inadequacy of natural resources and political turmoil since

the establishment of Israil. Before Israil came into existence, Palestine was the major trading partner of Jordan; consumer goods were imported from West Bank. The trade ceased to exist when Palestine came under the occupation of Israil in the War of June 1967. Domestic demand has to be met from internal supplies. Though there are quite a few industries in the country, most of them are not viable because of small size of the market and the low purchasing power of the people. This is the main factor behind the fact that small units predominate in the industrial sector in Jordan.

Jordan has two cement plants with a total capacity of 480000 tonnes. They are situated at Amman and Sweilih (to the north of Amman). Limestone is abundantly available and much cement is required by the construction industry. However, these two plants are not able to meet the total requirements of cement in the country.

The Trans-Arab Pipeline passes through Jordan, which provides the country the facility of crude oil supply for the refinery at Zarga with a capacity of about 7,500 barrels per day. The refinery is too small in size to fulfill the domestic demand.

The olive processing industry is of great significance for the country. It meets country's total demand for edible oil. The industry is located in the small industries sector.

It employs the traditional technique of pressing the oil. The quality of the oil is not equal to that of the products of modern industry; it has a large acid content. Supplies from Nablus and Jerusalem in the West Bank are no longer available to the domestic market since the occupation of the region by Israel in the War of 1967.

Flour mills also have an important place in the industrial life of Jordan. Irbid, Nablus and Jerusalem have traditionally been the cities of flour mills. At present, it is Irbid alone which has flour milling facilities. There are prospects of other centres coming up with large flour mills.

The garment industry consists of some small units to supply the domestic requirements. The industry's capacity to supply clothes is quite limited. It is not large enough to meet the domestic demand fully.

Tanneries are in existence for treating the sheep and goat skins. These are mostly run as cottage units, employing members of the family and using traditional techniques. Therefore, the products are sub-standard.

The handicrafts of Jordan are appreciated by tourists. The artifacts comprise wood carvings, embroidery, Jerusalem pottery, mother of pearl brooches for Bethlehem, etc.

Artisans produce handicrafts of high quality, great beauty and superb designs.

There is a dairy which supplies the animal products to cities. The automobile repairing and servicing industry is sprawled all around the tourist centres.

Fertilizer industry may come up in near future to supply chemicals and fertilizers to agriculture irrigation schemes which are being implemented to raise agricultural production in the country. It seems quite practical that the potential demand will be fulfilled if the plants are set up for the production of fertilizers. There is no shortage of critical inputs for the fertilizer plants; potash and phosphates are abundantly available in the country viz., in Zarqa and Swoileh,

There are some proposals for the industrialisation of the country. The development of textile industry in the small scale sector has been recommended by the government. Selling textile mills are expected to result in saving the country's precious foreign exchange, creating job opportunities and also making the country less dependent on imports. The establishment of a small spinning and weaving mill is the first instance to be followed by a larger units later on.

Dairy, industry's expansion and development of vegetable, fruit and fish processing units can be instrumental in bringing about industrial growth. Proper training and education can make it possible for the to grow superior quality tobacco for cigarette industry.

Industrial growth cannot be achieved unless there are training facilities. Availability of trained and skilled labour has to be ensured for efficient working of modern factories. Likewise, necessary raw materials should be indigenously available. This calls for improvement in the quality of raw materials. Farmers, processors and producers of raw materials will have to be trained in using techniques for bringing about improvements in the quality of raw materials. It would be very helpful to add a vocational course at the secondary level to impart technical skill to students. Such a programme will be useful for raising a skilled work force.

Industries cannot function without adequate credit supply from the state and financial institutions. It would be necessary to reorganise the Development Bank as an apex financial institution to control, supervise and direct credit institutions. The Bank should be entrusted with the following tasks.

- 1) It should act as an industrial credit bank. At present, its main operations comprise provision of agricultural credit. This should be supplemented with the function of credit supply to industries.
- 2) The Bank should finance projects for industrial development of the country by giving precedence to non-collateral loans for viable projects over loans on the basis of security.
- 3) The government should have the right to nominate representatives on the board of the Bank for evolving a balanced policy. However, it is desirable that the Bank should raise capital in foreign markets, seek guidance and technical assistance from international agencies in the implementation of its credit policies.
- 4) The Government has been contributing JD 1,00,000 annually to the capital of the Bank over a period of 10 years. Besides there should be participation of international agencies in the capital of the Bank and these participating agencies should thus be involved in the task of the industrial development of the country.
- 5) The Bank should have a department to finance low cost housing schemes in urban areas. It should also handover the

management of the Municipal Equipment and Development Fund to private contractors.

The role of the government is crucial in raising capital for industrial enterprises, since private capital has been shy due to risks involved in the establishment of industries. Private investors are growingly interested in taking up shares of the new ventures. It is therefore, desirable for the government to participate in the capital of new projects indirectly. The government may contribute to the capital of the Bank for Industrial Credit by transferring its shares to it for sale to private investors at appropriate time.

The 1986-90 Five Year Plan of the government envisages an expenditure of \$ 555m. on the generation and distribution of electricity.

In 1981 construction began on the 225 ha Sahab Industrial Estate, 18 km south-east of Amman, which is being built at a cost of JD 18m.¹ The first phase of the Estate, covering 85ha, was opened at the end of 1982, containing 15 ready-built factories and 15 other factories that are being built by the companies which are to use them. Work on the

1. Five Year Plan for Economic and Social Development 1981-85 National Planning Council in Amman Jordan.

second phase of the Sahab Industrial Estate was due to begin in early 1985. Nevertheless, the main focus of the 1981-85 and 1986-90 Plans appears to be on decentralization, laying emphasis on locating industries in underdeveloped areas. An example of this is the **Encouragement of Investment Law**, which was enacted in February 1984. This divides the country into the following three zones: (a) Amman and its suburbs; (b) other cities; and (c) the remainder of the country. The government hopes to encourage dispersal of investment by regulating the assets required by companies being set up in each zone, with the minimum requirement of fixed assets for zone (a) being almost three times that for zone (c). The 1981-85 Plan, the centrepiece of which is the construction of the \$1,000m. Yarmouk University (which received its first students in 1985), concentrated on manpower, technology transfer and regional development. Export industries are also to be promoted. The industrial plans for the region around Irbid (where an industrial estate is to be built at a cost of \$ 20m.) and the Ma'an-Aqaba area will be magnets for attracting investments in industries away from the industrial centre of Amman.

In an effort to boost Jordan's role as an entrepot, a free trade zone was established at the Aqaba Port in 1976, and a second such zone was opened at Zarqa in February 1983. The amount of goods which passed through these zones totalled

350,000 tonnes in 1984. In March 1985 it was announced that two more duty-free zones would be established - at Queen Alia international airport and at the port of Aqaba. There is another free trade zone at Ramtha on the Syrian border. All the zones are operated by the Free Zone Corporation under the aegis of the Ministry of Finance.

Transport:

Transport has been the main concern of the government ever since the Independence of the country in 1950. It has assumed great significance in order to reduce the dependence of Jordan's economy on Beirut. To attain this objective, heavy capital expenditure is being incurred to develop port of Aqaba. Before 1960, it was a small fishing village with no port facilities whatsoever. The development resulted in the growth Exports from Aqaba port were of the order of 9,00,000 tonnes by 1962, more than one million tonnes by 1966 and 1.2 million tonnes by 1972. The steep increase in exports from Aqaba followed the loss of three important ports to Israel, viz., Haifu, Jaffa and Gaza.

Road transport has been assigned high priority for movement of goods and services from important towns. The Desert Highway has been built to link Aqaba with Amman and with Irbid in the north. Motor roads link Amman with Jerusalem on the West Bank. Roads with asphalt topping serve as all weather roads in densely populated areas.

Railways are not given an important place in the communication and transportation system of Jordan. The rail link around Jordan has not been a profitable venture, especially due to competition with road and air transport. The airports at Amman and Jerusalem (before 1967) have been of great use in handling passengers and goods traffic. ALIA, is owned and managed by the government.

Jordan assigns great importance to tourism. Before 1967, it was a major foreign exchange earner. It made substantial contribution to the national economy. The main attractions to tourists have been the Christian shrines. The number of tourists from USA and west Europe continued to increase by 1,00,000 annually, reaching 6,16,000 in 1966. The exchange earned from tourists was as high as 31.6 million US Dollars. To give fillip to the industry, the government

had launched an ambitious plan to develop hotel industry. Private capital was stimulated to cater to the needs of the tourists.

The hostilities that broke out in 1967 created political instability in the country. The number of tourists from USA and West Europe fell steeply. Just 20,000 tourists visited the shrines because of the war of 1967. The loss of the West Bank to Israel has given a set back to the tourist industry.

Jordan still possesses sites of interest to tourists. It would be possible to restore the tourism with the establishment of hotels in Amman, Ajlun, Aqaba and Jarash. A whole complex of hotels, rest houses and picnic resorts will have to come up to cater to tourist traffic. Private capital should be attracted by the government for participation in the project.

Natural Resources:

Natural Resources are not abundantly available in Jordan. There is scarcity of water. Agriculture depends on rainfall which is known for its vagaries. All the regions are characterised by great fluctuations in rainfall. Projects to develop water resources are expensive and involve long period of gestation. Water is the basic need of human life.

and a primary input for agricultural and industrial development.

A number of agencies have been set up for water management, but they have failed to deal with the problem effectively due to overlapping responsibilities and lack of coordination between them.

It is essential to change the pattern of water consumption in different economic sectors and to use modern techniques of cultivation, make a rational use of water, both for domestic and industrial purposes in order to ease the water problems.

The Government has sponsored pilot studies in the field of oil exploration, solar and other sources of energy. Various parts of the Kingdom are known for large quantities of oil shale. Drilling has not been undertaken as yet because further work is going on to determine the feasibility of tapping these, oil resources. The domestic need for crude oil is met from imports. The demand for oil is increasing every year because of rapidly expanding, transport and for the generation of electric power. Oil imports consumed 12% of JNP in 1980, placing a heavy burden on the exchequer of the kingdom. Oil import bills are continually increasing due to the rising demand for oil and increasing oil prices. Industrial goods have become uncompetitive in the

neighbouring countries because of high electric power tariff in Jordan.

The kingdom has deposit of iron, lead, sulphate, tin, granite, pumice, molybdenum, decorative marble rocks and limestones. These minerals have not yet been exploited as studies on the economic feasibility of their mining are going on. There are some other minerals, too, which have not been fully exploited. These include phosphate, building materials, potash, etc. The development of natural resources should be preceded by the formulation of a comprehensive plan. There must be institutional infrastructure to conduct researches. Technical know-how is required for extensive utilisation of existing resources. The Natural Resources Authority is entrusted with the management of water, minerals and other natural resources. A single institution is not capable of undertaking exploratory studies. Qualified staff, laboratories and equipment for research are also inadequate in the country.

Problems are coming up in the wake of fast expanding urban centres. Agricultural land is being diverted to the housing of the city population. There are no schemes for improvement in environment and for better land management. Urbanisation is taking place without any master plan. As a result urban areas do not have land for public use like

parks, adequate municipal services. The desert is advancing due to excessive grazing and cultivation of grazing areas. This is making agricultural land less fertile. The storage capacity of dam basins is decreasing due to silting. In urban areas underground water is polluted due to lack of proper sewage, public health is adversely affected by improper use of insecticides.

The problem of pollution is becoming acute in the absence of necessary legislative measures and institutions for preserving the environment.

Structure of National Economy:

The basic objective of the national plans in Jordan has been the welfare of the people. To attain this objective of economic development, plans have been launched to solve socio-economic problems.

The economy of the country consists of three main sectors, viz.

1. The Industrial Sector.
2. The Agricultural Sector
3. The Service Sector

The industrial sector is not very extensive as the country has a small industrial base (a few large industries and a number of small and medium industrial workshops). It

also includes contraction industries. The industrial sector faces the problems of management, planning, lack of technology, inefficient financing, shortage of skilled labour and lack of construction material for new projects in the large scale sector. For these reasons the industrial sector has not been able to fulfil the developmental requirements.

The agricultural sector makes a significant contribution to the GDP. It has been modernised, its dependence on monsoon has been reduced, schemes to conserve soil and water have been implemented and a number of agencies have been set up for agricultural development.

Jordan still depends on imports of agricultural products. The import of food commodities accounts for increasing trade deficit from JD 36.3 million in 1973 - 1975, to JD 56.3 million during 1976-1980.

The production of foodgrains, red meat and dairy products has been adversely affected by droughts during the last four years of the 1986-90 plan. The production of vegetables and fruits has gone up due to irrigation facilities and use of modern cultivation techniques. The security of the country is exposed to dangers because of food deficit. It is necessary to develop infrastructure for building up buffer stock of food grains. The national plan

should provide for funds for the storage of food grains to meet domestic demand in times of drought. This would be helpful to attain self sufficiency in food.

Service sector is the dominant economic sector of the Jordan's economy. It contributed 66% of GDP in 1975 which however declined to 61% in 1980. As high as 63% of the workers are employed in the service sector.

The expenditure in the country, public as well as private, was 133% of GDP in 1975 and above 123% in 1980. The gap between expenditure and GDP was made up with remittances from abroad. In other words, the domestic production of goods and services lags behind the domestic demand. Therefore, external financing becomes important for the country's economy.

The banking system is making every effort to mobilise small savings for loans to trade, industry and agriculture. New branches are being opened for mobilising savings. New schemes are also being introduced to attract private capital. The public sector mobilised savings in 1976-80, to the tune of JD 276 million. Government bonds raised savings up to JD 52 millions and loans to public sector institution amounted to JD millions during the same period.

The government received revenue from direct taxes and as well as from non tax revenue sources. and the total government revenue amounted to 3.2% of GDP in 1980. The government spends its revenue largely in current amount. It's current expenditure was 33.2% in 1980 and capital expenditure 19%. Defence requirement and social services accounted for increase in current expenditure. Subsidies to food items and fuel prices have also increased the burden on government.

There is persistent trade deficit because of increasing imports. The pattern of imports has changed with an increase in the need for raw material and capital goods required for domestic industries and developmental projects.

Capital formation in Jordan has been stepped up since the 1970's, which has made a positive contribution to the national economy.

Remittances from abroad by Jordanians play an important role in raising the GNP for investment in new projects. In 1980, a total of JD 200 million was received from abroad through the banking system.

Regional disparities in the distribution of national income and social services are quite evident. Per capita income in Amman Zarqa region is the highest in the country. The Social services, too, are not uniformly distributed in

urban and rural areas. This is why private capital is not invested in backward regions.

The government has established a number of agencies to fulfil the developmental need of the country. However, these agencies are unable to evolve an efficient administrative system due to their overlapping functions, responsibilities and duties. They do not have decision making power since decisions are taken at the top by the central agencies, and there is no delegation of power down the hierarchy. This results in long delays in implementing development targets.

Cooperatives have been assigned a significant role in agriculture financing. The government has provided funds to cooperatives to finance technical and economic programmes in collaboration with foreign governments and international agencies. However, in doing so cooperatives have not been successful due to organizational and managerial problems faced by them and lack of popular support due to the ignorance of the people about the benefits of cooperation.

Failure of cooperatives to mobilise resources constitutes a major drawback which prevents them from meeting the financial requirements of agriculture, since the capital contributed by members, to cooperatives is inadequate. There is a need for toning up the management of the cooperatives,

establishment of specialised cooperatives for different sectors of the economy viz., productions, marketing, warehousing etc.

The plans can be effective in stimulating capital formation with popular involvements of people in the developmental process. But this requires exchange of views among the planners and professionals which would lead to evolving an effective approach to grapple with the developmental problems. Such a system of popular participation, is yet to be evolved due to non-existence of any framework for continual interaction between planners and professionals.

The implementation of the plans suffers from lack of coordination between the National Planning Commission and various ministries and with the institutions which are involved in the planning process. Many problems can be resolved by removing confusion in respect of duties, responsibilities and authorities of various bodies.

Another area of disparity between planning and implementation is related to pay-scales and flexibility enjoyed by those working in the private sector and the public institutions. The private sector enjoys greater flexibility and higher pay-scales than the public sector. The National Planning Council monitors

information from ministries and various departments about the progress of the plans. Periodic reports to NPC also give details about the problems faced by them in the completion of the projects in hand. Moreover, the municipalities and private sector institutions do not submit any reports about their developmental plans to the NPC. The NPC is thus not able to cope with the problems arising in the process of development due to lack of continuous flow of information. Therefore timely and corrective measures cannot be taken by it, by making suitable modification in the plans. This emphasises the need of follow-up measures for the successful implementation of the plans.

The success of plans in Jordan also requires an environment of mutual cooperation between the private and the public sector. The government has provided an environment which is conducive to wider participation of the private sector in the developmental projects. It has started a number of joint ventures. The private sector has not made much progress and achievements due to lack of well defined progress, inadequate attention, development of cadres and improving the quality and efficiency of personnel. There is no institution of frame work in private sector to fulfil the socio-economic objectives, It would greatly boost exports and foreign involvement in Jordan.

Jordan has established economic relations with other Arab countries and has concluded agreements with several of them. It has fulfilled its commitments under the Arab common market. Jordan contributes to the Arab Development Fund and joint Arab projects. The inter-Arab economic relations have not made as much progress as they should have done due to different economic policies followed by different Arab countries and due to lack of a comprehensive plan. It provides skilled labour to other Arab countries and makes effective use of Arab aid for developmental purposes. The inter Arab trade has an insignificant share in total of Arab imports and exports comprising merely 5% of the total exports and 6.9% of total imports. Jordan has a substantial share in the trade with other Arab countries accounting for 18.7% of its imports and 67.5% of its total exports.¹ The dependence of Arab countries on the west for imports is due to their wide ranging consumption needs. Arab exports largely consist of industrial raw material including crude oil.

The eleventh Arab Summit Conference was held in Amman in November 1980. It published a pan-Arab economic manifests which spells out strategies upto the year 2000 A.D. It approved the plan of a joint Arab development decade for

1. National planning council - Five year plan Economic and Social Development, 1981-85, Amman, Jordan.

investment of Arab capital in less developed Arab countries for removal of developmental disparities among them. The conference called for unity, development, independence and integration and for raising the standard of living of the Arabs.

The development plans in Jordan make an integrated approach to human problems. They attempt to identify socio-economic problems and suggest effective solutions for them. This requires a deep understanding of the Jordanian society and its national economy for progress and prosperity for the society as a whole.

The objectives of the plan cannot be attained without involving citizens in the developmental efforts. Institutions of private and public sectors have to be developed to meet the need and aspirations of the citizens. The present economic system seeks to fulfil the objective of developing both the private and public sectors. The development in Jordan depends largely on the growth of private enterprises. They operate within the framework of the Arab economic unity for mutual benefits and integrative with Arab world. It is one of the main responsibilities of Jordan to promote the Arab cause. It is the endeavour of Jordan to establish an equitable economic order by coordinating its plan with those of the other Arab countries.

The main problems of Jordan are the poor living conditions, unsatisfactory social services in the rural areas and inequitable distribution of incomes. It is the main objective of the plan to remove the regional imbalances. Significant achievement has been made in socio-economic areas during the last two plan periods. The current plan is also dedicated to socio-economic objective on a long term basis. It aims at the development of the commodity producing sector by stimulating investment. Social issues and basic human needs are being taken care of. The growth of national income, equitable distribution, and a balanced development of various regions are the main concerns of the planners. Following are the objectives of developmental plans:

1. Increasing the real per capita income by developing commodity producing sectors.
2. To develop public amenities in various regions, especially those concerned with basic human needs, like drinking water, housing, health, education and communication.
3. To ensure equitable distribution of natural resources among various income groups.
4. To remove regional disparities and achieve a balanced distribution of population.

5. To involve citizens by means of wider decision making process in developmental projects.
6. To establish training institutions for raising a skilled work force for new jobs. Women will also have opportunities to participate in development.
7. To implement an immigration policy suited to the country playing a useful role in the Arab World.
8. To develop agriculture for food achieving self sufficiency.
9. To develop means of irrigation and undertake effective water management schemes to achieve self sufficiency in energy.
10. To develop mineral resources.
11. To develop science and technology to meet the developmental requirement of the country and the Arab World.
12. To mobilise savings for investment in developmental projects.
13. To check environment pollution and conserve national resources.

14. To improve the efficiency of the public sector and create an investment climate in the private sector by developing basic infrastructure and institutional framework.

15. To promote and strengthen both private and public sector to fulfil developmental objectives.

16. To contribute to the fulfilment of the objective of Arab economic unity and to assume an important role in the socio-economic development of the Arab world.

17. To develop means of irrigation and undertake effective water management.

DEVELOPMENT PLANS:

The government has formulated integrated plans to tackle the developmental problems. Jordan will have to mobilise its own resources for developmental purposes. Priority is given to quarrying and mining. Necessary infrastructure, public utilities and finance are being provided to remove bottle-necks in the marketing of minerals and chemicals. Manufacturing industries are being developed for processing locally available raw materials. Developmental strategy is prepared to modernise agriculture, expand construction of industry, productive capacity in manufacturing industries for exports and develop tourism for

earning foreign exchange. Hotel industry is being given priority to provide good facilities of lodge to tourists. Tourist resorts are being developed at places of historical importance for foreign tourists. For tourism traditional industries are preserved and workers trained to manufacture attraction items of interest to tourists. It would help the traditional industry to grow and generate handsome income to traditional artisans. To develop agricultures in both the rainfed and irrigated areas intensive as well as extensive farming techniques are being popularised and agricultural activities have to be encouraged and financed. Measures are incorporated in the development plans to modernise the construction industry for meeting the requirements of large industrial projects in Jordan and other Arab countries.

The kingdom has assumed the responsibility for providing socio-economic infrastructures in less developed regions of Jordan. Funds are being allocated to such schemes as those of housing, health, education, water supply, communication and rural electrification.

The local governments at regional level would have to involve the common people in the execution of projects assigned to them. To develop rural areas, village councils and joint services council have to be established. Regional plans have to be integrated with urban plans. Municipalities

and village councils have to raise funds to finance developmental schemes at regional level. Projects in backward areas ought to be given priority for training of people from low income groups. There are projects for slum areas in the cities for the construction of low cost houses, establishment of training centres and production units for craftsmen.

It is the main objective of the developmental plans in Jordan to maximise social welfare by securing equitable distribution of national income. The state has to adopt a fiscal policy to mobilise resources for the provision of basic services and utilities adversely affecting the willingness to invest and work.

The state has to undertake projects for raising income of the people in low income groups. The training opportunity are being made available to them for gainful employment. The state intends to determine minimum wages and implement schemes for providing incentive to workers for high productivity. Under the schemes, the workers stand to derive benefits of greater social security. The participation of female workers in economic development is being stepped up to raise family income and the living standard. The developing plan envisages reorganisation of society for positive role of individual in socio-economic and political activities. The reorganisation of society is motivated by the concept of

human rights and freedom for fulfilment of individual aspiration.

It would strengthen the sense of nation-hood. Mass media would disseminate information about problems and achievements of the development plans. Popular opinion would be sought for modification of modern plans. Education system would encourage development of human resources of innovation, and promote the Arab and Islamic heritage. The development plan would provide framework for voluntary organisation to participate in socio-economic development in the country. Social unity is the kingpin of development which requires cooperative work and spirit of collaboration.

The regional development plans will be prepared after ascertaining the local growth potential. Every region will have growth centre for providing basic infrastructures public services and other necessary facilities. The projects outside Amman and Zarqa region will be given priority in financial subsidies and allocation of loans at concessional rates.

The developmental plans also aim at better utilization of human resources. Projects to improve health and develop cultural services are necessary for improvement in the quality of life. The plan will carry out the schemes to develop the skills required by various socio-economic sector. It would also be an endeavour of the plan for women to

participate in education for employment on equal basis. The developmental plan endeavours for expansion of training and educational facilities to develop scientific attitude among people in consonance with values of Arabs and Jordanian Society. The developmental requirements would be given priority in the context of modern technology. Care would be taken to avoid friction in the labour market while developing skilled personnel at high and middle levels.

Emphasis has to be given to the development of capabilities among the country's youth for jobs which give them both the material prosperity and sense of belonging to society. The population policy's main objects comprise population control in tune with economic growth. The family planning intends to bring about improvement in the socio-economic and health conditions. The maternity and child care Centres should function as community health Centres, providing family planning services.

The balanced economic development envisages a minimum programme to ensure adequate food supply. It is the objective of developmental plan to carry out integrated rural development programme including the establishment of cottage industries for the benefits of farm workers and small farmers. The programmes are helpful in raising the income of farmers to induce them not to migrate from the rural areas.

Agricultural Cooperative Societies are an effective instrument for the provision of Agricultural inputs. New technology has to be applied in irrigated and rainfed areas. It should be the main concern of the plan to discourage fragmentation of land holdings. Cooperative Societies are the ideal agencies for the supply of concessional loans to farmers for adopting modern farming techniques. It would be of great use to provide incentives to farmers for the development of Animal husbandry. The plan would induce farmers to grow crops to meet the requirements for food in Jordan and Arab world. Appropriate institutions would be set up for marketing the agricultural produces. The buffer stock of food grains will be built up by expanding the storage capacity. Farmers would be able to sell food grains at remunerative prices. For exports, there has to be surplus of agricultural produce after fulfilling the domestic consumption. Water management, both in domestic and industrial sectors which is highly essential in view of scarcity of water resources. Future requirements would have to be assessed to develop additional resources of water. The plan should launch irrigation projects to tap under-ground and surface water resources by constructing more dams, such as that constructed at YARMOK rivers. It is equally important to specify standard for efficient water utilisation in

various socio-economic sectors. The modern water management seeks to enhance efficiency in water consumption.

Self-sufficiency in generation of power and energy is indispensable to economic development. The development plan of Jordan undertakes to estimate the growing demand for power and energy. To attain the accelerated economic growth, intensive explorative work has been undertaken to develop oil resources. The conventional resources are to be utilised to fulfil the requirement of energy. It includes oil shell, thermal, solar and wind power. The energy programme is devised to expand the capacity for the production of power to fulfil the domestic demand. Jordan will seek to cooperate with other Arab countries for the development of energy.

Priority is also given to development of mineral wealth. The advanced technology is adopted to explore mineral resources and analyse the physical and chemical characteristics. Techno-economic feasibility studies are undertaken to find out economic and technical viability of these projects. All the projects are entrusted for investigation and exploration to the national institutions. Therefore, the developmental plan of Jordan has established well-equipped institutes for the purpose. Steps are taken for the development of indigenous capacity to meet all the developmental requirements. Government is undertaking to

develop national institutes for advanced scientific and technical researches. Public and private sectors may be associated with the plans to raise Science and Technology fund for the laboratories and research activities. The result of these researches should be available to social and economic sectors for modernisation. The researches in Universities are directed to the fulfilment of developmental requirements. There would be exchange of scientific and technological information between Jordan and other Arab countries.

It is the objective of the plan to increase national savings for rapid economic growth. It is necessary to channelise savings of Jordanians in foreign countries and attract the Arab capital for investment in developmental projects. To achieve this purpose, money and capital markets are organised. The banking system is associated with financing of socio-economic projects. The banks are encouraged to provide medium-and-long-term loans. The schemes are made attractive for the growth of 'time deposits' for long term financing of the housing scheme and similar other projects in social sectors. The structural weakness in financial market should be overcome by setting up specialised institutions to mobilise small savings.

The plan has taken care of the problem of pollution. However, it is desirable to lay down standards to protect water, soil and air. Urban expansion should be regulated for minimising the wasteful use of agricultural lands. The country would benefit from institutional framework to develop indigenous capability for planning, designing, implementing and evaluating programmes related to environmental pollution.

The public sector provides the basic infra-structures for the development of private enterprises. It is necessary that administration is free from red tapism. Dynamic administration to perform its functions efficiently and effectively has to be developed. Care should be taken to avoid overlapping functions among various institutions. The rules and procedures should be modified or amended to accelerate developmental process. The purpose of up-grading the laws and bye-laws is the provision of investment opportunities to investors in the country. Administration should make efforts to inspire confidence among investors regarding profitability of the new project. The government departments should assume catalytic role. They should be equipped to plan and implement the development project. The efficiency of government administration depends on the

quality of manpower. It is necessary to have a sound system of recruitment, selection and promotion.

The development plan cannot be successful without close cooperation between public and the private sectors. The private sector is assigned the role of inviting Arab capital for investment in priority areas, specially in the manufacturing industry and exports. The close cooperation between private and public sector is achieved by means of joint ventures. The private sector should be helped with the facilities of training of its personnel in modern management.

It is of great significance to have close cooperation with Arab countries. Jordan participates in plans related to the development of Arab economy as a whole. Developmental plans of Jordan are essentially an integral part of Arab economic order. For free movement of Arab capital, it is necessary to develop a well organised financial market in the region. An apex body has to be set up to coordinate financial markets of the Arab Countries. It is equally important to initiate necessary measures to promote inter-Arab trade. There should be unrestricted mobility of capital, goods and services.

The Arab unity is the theme of seminars and conferences which are organised to have a common system of education.

Besides, training institutes are set up in Jordan to develop skilled labour as a part of common labour market for all Arab countries in the region.

Jordan had a total work force of 535,444 in 1986. Unemployment problem is not so widespread in Jordan as in other developing countries. The country has 42,864 unemployed youngmen. Jordan has also to support the people who migrated from Palestine after the forced occupation of the West Bank by Israel. Jordan has 373,586 Palestinian refugees who are actively engaged in economic activities in the country.¹

Jordan and Iraq developed economic and political relations on the eve of the Iran-Iraq War. Close ties between them led to bilateral trade agreement. Besides, Jordan got from its Arab neighbour an aid of JD 30 m for construction of road and JD 58 m, for financing developmental projects. Jordan also received loans from Iraq to develop a sophisticated weaponry system including SAM 6 anti-aircraft missile.

Jordan exported goods worth JD 63.5 m to Iraq in 1978. When the Iraqi economy began to face strains of War, it became difficult for her to import all it needed. This is

1. Economy of Jordan, The Middle East and North Africa, p.537. Eurob Publication in 1996.

reflected in the declining trend of its imports from Jordan which fell to JD 26.9 m in 1983 and but again rose to JD 67.8 m in 1984. The two countries agreed to have barter trade between themselves. Iraq exported oil to Jordan in exchange the commodities it needed. This helped to raise the exports to JD 5.9 m in 1987.

Jordanian economy is able to maintain a high rate of growth. The developmental plans of the country are substantially financed by foreign aid and remittances from abroad. The East Bank registered a growth in GDP of 17.6 per cent in real terms. Inflation was brought down from 12 per cent in 1981 to 3.9 per cent in 1984; and was zero in 1986. However, the economy of the country again faced a new bout of steep inflation in 1988 when it rise to 14 per cent. The IMF provided guidelines which resulted in the reduction of inflation to 7 per cent in 1989. Inflation was the result of the slow growth of GDP during 1982-1988. The growth rate of GDP declined from 5 per cent to 2.5 per cent during the period.

Jordan does not enjoy a favourable balance of trade; on average its trade deficit during the 1980s was \$ 2,000 m per annum. This affected the implementation of the developmental plans of the country. The funds position worsened as a result of the divided Arab aid, depression in the economy of the

Middle East, slump in the oil market and short fall in the remittances by the Jordanians abroad and decline in the volume of trade with Iraq because of the Iran Iraq war. However, resumption of trade relations with Egypt have helped the country to some extent in making up its loss of revenue from foreign trade to some extent. The country's trade with Iraq is expected to go up following cease-fire in the Gulf in August 1988.

There have been serious obstacles to the economic development of Jordan following the stoppage of aid by Libya, suspension of aid by other Arab countries when Jordan participated actively in peace negotiations with Israel and expelled Egypt from the Arab League. The slump involving the oil market, forced all the Arab countries except Saudi Arabia to reduce aid to Jordan.

A survey of area and population during 1985-86 shows the total area of Jordan was 97,740 Sq. Km. Its population was estimated to be 3,615,000 in 1985, which increased to 3,656,000 in 1986 and to 3,804,000 in 1987. The density of population per Sq. Km. in mid-1987 was 38.9 per Sq. Km. This shows that the pressure of population is increasing, thereby creating the problem for creating necessary socio-economic infrastructure. The ever-growing population has to be fed from the domestic supply foodgrains. It is a perpetual

TABLE NO.3

AREA, POPULATION AND DENSITY (WEST AND EAST BANKS)

Area (Sq. Km.)	97,740*
Population (UN estimates at mid year) **	
1985	3,515,000
1986	3,656,000
1987	3,804,000
Density per sq. km. mid-1987	38.9

* 37,738 Sq. miles.

East Bank: Area 89,206 Sq. Km: Population 2,132,997 (males 1,115,841; Females 1,017,156) at census of 10 November 1979; estimated population, 2,796, 100 at 31 December 1986.

** Source: UN, World Population Prospects: Estimate and projections as Assessed in 1984. In its 1988 assessments, the UN estimated the mid-1987 population at 3,790,000.

problem of Jordanian economy that agricultural production in the country falls short of its requirements though a number of schemes for development of irrigation, conservation of soil and modern water management system have been implemented.

Active participation of the population of a country in economic activities is an indicator of its economic development. It is one of the objectives of the plan to develop manpower for the fulfilment of requirements of the country. For this purpose, a number of professional and vocational courses have been introduced by the state at school level. Besides, a number of institutions and training centres have also been established to train the youths of the country for gainful employment as a skilled labour force.

There are special institutes for women to impart training to them so that they can get employment in order to supplement income of their families and raising their standard of living.

Table 4 gives classification of workers along with their numbers. In 1984, their total number was 458539, which increased to 472199 in 1985 and to 492578 in 1986. Social and administrative services absorb the largest number of employees. In 1984 their number was 216, 848, persons which rose in 1985, to 220635 and in 1986 to 230, 255. Construction

TABLE 4
ECONOMICALLY ACTIVE POPULATION (JORDANIANS ONLY)

	1984	1985	1986
Agriculture	34,850	36,838	37,436
Mining and Manufacturing	47,414	49,869	52,706
Electricity and Water	04,585	05,195	05,418
Construction	52,733	51,947	54,183
Trade	45,487	47,225	49,258
Transport and Communications	41,178	44,391	46,302
Finance & Insurance Services	14,444	16,104	16,748
Social & Administrative Services	216,848	220,635	230,525
Total employed	458,539	472,199	492,576
Unemployed	n.a.	n.a.	42,864
Total Civilian Labour Force	n.a.	n.a.	535,440

Source: Department of Statistics, Amman Jordan

is a labour intensive industry providing employment to ever increasing number of people. There are several constraints to the expansion of this industry. It suffers from the problem of the inadequacy of finance and construction materials. An institution has been set up to undertake designing, planning and execution of large projects within the country in order to reduce Jordan's dependence on other countries. In 1984, 52733 workers were employed in the construction industry. Due to the problems facing the industry there was a reduction in the number of the employees in it and in 1985 it came down to 51947. Momentum in developmental plans is provided by construction industries, there were 54183 employees in the construction industry in 1986. Since Jordan anticipated larger inflows of funds to finance capital expenditure on developmental projects, it is hoped that construction industry would create more jobs to absorb additional work force.

Mining and manufacturing industries have received special attention in the development plans of the country. Emphasis on the development of Banking and financial market has succeeded in encouraging investment. Private investment has also received support, especially in establishing manufacturing units to make country self-sufficient. Joint ventures have also been established where adequate private

capital was not available for investment in large companies. Mineral resources are being exploited to achieve self sufficiency. At present the country has modern industries providing employment to its ever increasing population. There are 47,414 people employed in mining and manufacturing industries. In 1985 the number of employees in these sectors went up to 49869 and in 1986 to 52706.

Trade is expanding as a result of the development of the transportation and communication systems. The government has succeeded through successive plans in constructing roads linking all the important industrial centres to cities, towns and villages. The volume of trade during the plan period 1980-85 contributed to provide employment opportunities 46,484 in 1984 to 47,225 in 1985 and to 49,258 in 1986.

Transport and communication provide essential support and infrastructure to economic development. It was envisaged in the five year plan (1980-85) that the development process should not be allowed to suffer from transport and communication bottlenecks. Therefore, funds were allocated to their development on priority basis. A number of schemes were devised to provide means of transportation to important agricultural areas and industrial centres for quick movement of goods and people. This has created more jobs year after year. The number of people employed in transport and

TABLE 5
 AGRICULTURE PRODUCTION IN JORDAN
 PRINCIPAL CROPS
 (East Bank only: '000 metric tonnes)
 1985-1987

	1985	1986	1987
Barley	19.7	09.0	33.1
Wheat	62.8	30.8	79.8
Squash	49.5	36.9	n.a.
Citrus fruits	81.3	87.4	121.7
Bananas	10.4	13.4	12.8
Grapes	26.2	23.2	18.6
Olives	19.7	31.8	20.4
Tomatoes	251.1	220.6	236.8
Eggplants (Aubergines)	57.3	50.6	56.6
Cauliflower	25.4	24.6	34.2
Cabbage	28.9	16.4	
Watermelons	36.9	51.2	91.3
Melons		15.2	
Potatoes	26.2	22.5	n.a.
String beans	20.5	12.4	n.a.
Cucumbers	69.0	64.3	67.2

Source: Department of Statistics, Amman, Jordan, The Middle East and North Africa, 1990, 36 Edition, Euroba Publication.

communication increased from 41,178 in 1984 to 44,391 in 1985 and to 46,302 in 1986.

Agriculture constitutes an important sector of Jordanian economy. When planning started, agriculture was not fully developed. Traditional pattern of farming was prevalent in the country and just a few foodgrains like wheat, and barley were cultivated. Farmers were not acquainted with modern techniques of cultivation, application of science and technology, modern methods of management of water, cultivation of commercial crops or plantation of fruit trees. An integrated approach was made by the state by harnessing water, introducing the dry farming system, evolving high yielding varieties of seeds, constructing dams and canals, and establishing agricultural research and service centres. Agriculture in Jordan is developed to the extent of meeting the requirements of domestic consumption and additional employment. As evident from Table 5 wheat and barley are the main crops grown in the East Bank of Jordan. There has been significant increase in the production of both the wheat and barley as a result of modernisation of agriculture. The wheat production increased from 19.7 thousand metric tons in 1985 to 33.1 thousand metric tons in 1987. The vegetables also registered substantial increase in the production during the period under review. The emphasis on plantation of fruit trees also yielded good results as evident from higher

production of citrus fruits, banana, squash and grapes, Jordan is able to attain the target of higher production and productivity due to integrated schemes for agricultural modernisation. In 1984, 34,850 people were employed in this sector and their number went up to 36,833 in 1985 and increased further to 37,436 in 1986.¹

Power and energy resources have also been given a prominent place in developmental strategy of Jordan. The country does not have enough sources of power because of limited supply of oil and scarcity of water to generate hydro electric power. However, conventional sources of power are being developed to fulfil ever increasing demand for power. This includes wind power and solar and biogas energy. Though the sector does not employ a large number of workers as compared with other sectors, employment opportunities in this sector went up from 4,585 in 1984 to 5,195 in 1985 and 5418 in 1986.

Jordan has not yet reached the level of full employment. In 1986, there were 42,864 people unemployed. The government is trying to deal with this problem by sending Jordanians to work in other Arab countries About 8% of the

1. The middle East and North Africa, 36 edition, p.514, Euroban Publication, 1990.

TABLE 6
LIVE-STOCK

(East Bank only; '000 head, year ending September).

Kinds	1985	1986	1987
Horses	12	12*	12
Mules	3	3*	3
Asses	19*	19*	19
Cattle	35	31	33
Camels	14	14*	14
Sheep	1,121	930	1,000
Goats	515	439	450
Poultry	33,000	34,000	35,000

* FAO estimates

Source: FAO Production Year Book, Department of Statistics,
Amman Jordan. 1988.

total labour force in Jordan is unemployed which is much less than that in most of other developing countries. The employment situation would ease, provided adequate investment funds flow in from foreign agencies and the members of the Arab League.

The livestock population in Jordan during the period 1985-1987 has not shown any significant increase because of lack of emphasis on the part of farmers to raise livestock for commercial purposes. Lately the efforts of the government for encouragement to poultry farming to supplement income of small farmers have paid dividends. The population of birds went up from 33m in 1985 to 34m in 1986 and to 35, m. in 1987. Camels, donkeys and horses are used in the country for driving carts and for ploughings. Camels, goats, and sheep supply milk and meat besides skins for tanneries. There is a need to increase the live-stock population as evident from Table 6 and for evolving of good breeds of animals, especially of horses, sheep and goats. Improved good breed of cattle would not only fulfil the domestic demand for milk and meat but it would also be possible to export these etc. The wool of sheep and hair of camel and horses can be used as raw material. The vast tracks of West Bank in the country could provide pastures and centres for animal farms. The state should launch an integrated scheme to supply good breeds of cattle to farmers on easy terms. Fully equipped

TABLE 7

FORESTRY

Round Wood Removal (FAO Estimate '000 cubic meters)

Kind of wood	1980	1981	1982
Industrial Wood	4	4	4
Fuel Wood	4	4	5
Total	8	8	9

1983-87; Annual output as on 1982 (FAO Estimates).

Source: FAO, Year Book of Forest Products.

veterinary centres are also required to look after the health of the cattle at village level. Private entrepreneurs in the country can be associated with the programme of financial assistance to farmers in rural areas for raising live stock for commercial purposes. This would lead to an increase in the purchasing power of the farmers and so those living in rural areas would demand more and more consumer goods produced by industrialists in the private sector.

Jordan is not endowed with large areas covered by forests. Indiscriminate felling of trees has led to ecological changes, soil erosion and absence of moisture in the soil. The state has introduced restrictive measures against deforestation and has vigorously implemented tree plantation schemes. The country is not able to meet its requirements for fuel wood fully. Table 7 shows that the total supply of fuel wood was 8,000 cubic meters in 1980. Later, there was an increase of wood by 1,000 cubic meters due to domestic demand. There was no change in the supply of timber; which remained constant at 4,000 cubic feet during the period under review.

The fishing industry has not made much progress because of the limited coast line and water scarcity. This limited facility for fishing is confined to the west bank of Jordan which provides most of the fish. In 1985 the total catch was

TABLE 8

FISHING

Metric tons, live weight

	1985	1986	1987
Total catch	65	65	70

Source: FAO, Year Book of Fishery Statistics.

65 metric tonnes, live weight which increased to 70 metric tonnes in 1987. There is no scope for progress in the fishing industry by way of fish farming in the ponds. Such schemes are circumscribed by limited water availability according to Table 8.

Mining and industry has been assigned significant place in the developmental plans of Jordan as evident from Table 9. The country has phosphates potash and salt deposits which are being exploited both for domestic market and for export to neighbouring countries. In 1985 the total output of phosphates was 6067, 1,000 metric tonnes, which increased to 6249, 2000 metric tonnes in 1986 and to 6845, 4,000 metric tonnes in 1987. Potash also registered increase from 908, 2000 metric tonnes in 1985 to 1102,000 metric tonnes in 1986. In 1987 it rose further to 1203, 2000 metric tonnes. However salt is not produced in substantial large quantity in the country. In 1985 the total quantity of salt produced was 32,2000 metric tonnes and in 1986, it was 33,7,000 metric tonnes. The emphasis in the plan was to develop petroleum industries and therefore selected petroleum products increased from 2423, 9,000 metric tonnes in 1985 to 2257, 1000 metric tonnes in 1986, and in 1987 it was increased further to 2401, 500 metric tonnes. It is expected that there would be further increase in petroleum products following the

truce between Iraq and Iran, since the neighbouring Arab oil producing countries would be able to step up the supply of crude to refineries in Jordan. Side by side, the state is also undertaking the exploration of domestic oil resources in the country. For this purpose geological surveys are being conducted and economic feasibility of the projects are being assessed by the research centres. It is hoped that the country would soon have great sources of oil supply to sustain the growth of the petroleum industry. The new industries developed since 1977 include the chemical and the fertilisers industries. Both the industries have been established to fulfil domestic requirements. Modernisation of agriculture has increased the demand for fertilizers and pest control chemicals. In 1985 1007,6000 metric tonnes of chemicals were produced which went up to 1024,8000 metric tonnes in 1986 and rose further to 1103,2000 metric tonnes in 1987. Increase in chemicals output has been possible due to additional capacity created with the establishment of new units in both public and private sectors. In 1985 510,5000 metric tonnes of fertilizers was produced and in 1986 the production was 551,100 metric tonnes and in 1987 it increased to 604,000 metric tonnes.

Cement industry has been given ever increasing importance in the developing plans of the country to fulfil requirement of the domestic construction industry.

TABLE 9

MINING AND INDUSTRY

(East Bank only '000 metric tons, unless otherwise indicated).

	1985	1986	1987
Phosphates	6,067.1	6,249.2	6,845.4
Potash	908.2	1,102.0	1,203.4
Salt	32.2	33.7	n.a.
Petroleum Products	2,123.9	2,257.1	2,404.5
Chemical Acids	1,007.6	1,024.8	1,103.2
Fertilizers	510.5	551.1	604.0
Cement	2,022.9	1,794.7	2,371.6
Iron	198.4	209.6	217.0
Alcoholic Drinks (000 lt.)	5,547.2	5,457.2	5,320.0
Cigarettes (million)	3,538.1	3,327.7	4,000.4
Electricity (million K.W.H.)	2,154.4	2,646.8	3,123.8

Source: Department of Statistic Amman Jordan.

Developmental project have led to the coming up of new industrial centres which increased the demand for cement. The government has also made commitments to clear the slum areas in cities by building houses for slum dwellers in industrial towns. Housing societies have been entrusted with the work of the construction of houses in small towns and villages. This integrated housing scheme covering both urban and rural areas has raised the demand for cement manifold. The state has provided all necessary facilities for the expansion of cement industry. In 1985 the total cement production in the country was estimated at 2022,9000 metric tonnes. However there was decline in the production of cement in 1986 due to power failures, financial constraints, involving suspension of new projects in the public sector. In 1987 the demand began to pick up leading to full utilisation of the cement industry. The industry registered increase in its production to 2371, 6000 metric tonnes in 1987.

The alcohol industry in Jordan is producing drinks in ever increasing quantities. There is a growing demand for drinks because of the increasing urbanisation of the country. This industry is attracting more capital because of higher profitability. In 1985 the industry output was 5547, 2000 litres. In two successive years, 1986 and 1987 the output of

the industry declined marginally to 54,572,000 litres and 5320,000 litres respectively.

The cigarette industry is also experiencing expansion and attracting large amounts of private capital. The agriculture sector is producing tobacco to support the increase in the production of cigarettes the output of which was 3538.1 million, which increased to 40004 million in 1987.

The state has launched projects for the generation of electric power to fulfil the growing demand for energy. Though the hydel power resources are not abundantly available within the country, projects using, thermal power technology are meeting the growing demand of electric power with the installation of thermal power plants. Electricity in 1985 around 2154, m. kmh. of electricity was generated which was stepped up to 2616,8 m.kwh. The electric power generated in 1987 was of the order of 3123,8 m.kwh.

Roads and airways now occupy a significant place in transport system in Jordan. Railways have not been developed because of natural constraints, like the present of the desert and because of the vast progress in civil aviation for both domestic and international transport. The railways do not receive much business except through the movement of

passengers and goods. In 1984, East Bank Railways carried 30,196 passengers and 3,152,663 tonnes of goods. In 1985 there was increase in both passengers and goods traffic and 34,247 passengers and 2,582,702 tonnes of goods were transported by the system.¹

Tourism is an important foreign exchange earner for the country. There are many spots of attraction for European tourists in Jordan. Before 1971 the country used to receive a large number of tourists, especially to Jerusalem. The Israeli aggression disrupted the tourism industry especially after the occupation of the west bank by Israel. This led to a steep decline in the number of tourists to the country and a proportionate decline in the foreign exchange earnings from tourism. Since then a number of schemes have been mooted to give a boost to tourism. Traditional and cottage industries have been revived at tourists resorts. Artisans and handicraftsmen have been provided necessary facilities to make traditional items of artistic beauty in traditional forms which are usually appreciated by European tourists.

Jordan has been attracting tourist from all over their world. Apart from the Arabs, Europeans, Asians Americans and

1. W.E. Fisher, Physical and Social Geography, The Middle East and North Africa, 36 Edition, Euroba Publication, 1990.

others have been coming to Jordan as tourists in increasing numbers. In 1984, there were as many as 1,254,895 European tourists and their number increased to 1,549,888 tourists in 1985, and to 1,622,212 in 1986. On the other hand Jordan received 65,215 American tourists in 1984, 54,677 in 1985 and 31,139 in 1986. Asians also figure in the list of tourists. Their numbers were 133,467 in 1984, 142,795 in 1985 and 112,803 in 1986 the total number of tourists to Jordan increased from 1,588,195 in 1984 to 1,912,038 in 1986.

In conclusion, Trans-Jordan was backward in almost every respect; national income the per capita income, distribution system and the living standard. The country did not have sound industrial base and developed tertiary sector (service sector). The share of Trans-Jordan in the trade with neighbouring countries was not substantial. It exported primary goods, and imported essential consumption goods. To become self-reliant, Jordan assigned great significance to the agricultural development, industrial growth and expansion of service sector in each successive developmental plans. Equal attention has been paid to the problem of regional imbalances. Co-operatives have assumed special role to provide sincere economic development in the country. It is useful as an instrument to attain the objectives of developmental plans; viz., growth in national income, equitable distribution, and equal job opportunities.

Perception progress is made by the country in economic development. Agricultural production has gone up, industries and the trade have expended and the service sector has been growing. Transport and communication have been developed to provide support and infrastructure to economic development. Power and energy have also been given a prominent place in the developmental strategy of Jordan. However, the process of development deals with the ever growing problem of unemployment in Jordan. Hopefully, the unemployment problem would ebb if the investment activities are stepped up during successive plans. In short, technology and capital are the twin problems of economic development in Jordan.

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CHAPTER-II

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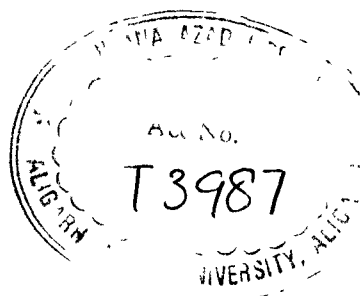
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AGRICULTURAL DEVELOPMENT IN JORDAN

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CHAPTER II

AGRICULTURAL DEVELOPMENT IN JORDAN

In the foregoing chapter it has been observed that Jordan suffers from acute food deficits. It is of paramount significance to develop agriculture. Agricultural development is being given priority in the plans of Jordan. It is regarded as the means of ensuring national security because of wider impact of the fluctuations in agricultural production on national economy. The economic performance is adversely effected by scarcity of food and industrial raw-materials on the one hand and by inflationary spiral on the other. The state is deeply concerned over the ever growing deficits in the balance of payment because of heavy imports of food.

AGRICULTURE

The agriculture is affected by climatic and political factors. During 1974 and 1978 the share of agriculture in Gross Domestic Product was 10% which declined to 5.8% by the end of 1981-85 five year plan due to vagaries of monsoon, since 92 per cent of the cultivable land is rainfed. However attempts are being made to develop means of irrigation, and the farmers are acquainted with modern techniques of water management. The trend of agricultural development was reversed by the active hostilities on boarders with Israel in 1967. It put in jeopardy many schemes sponsored by the state for modernization of agricultural sector. Besides, the low income of workers on farms has led them to migrate to

industrial towns for better job opportunities. It is evident from declining share of agriculture in the total labour force from 18% at the end of 1970 to 10% of the work force during the early 1980's.

Jordan valley is the only part of the country which has fully developed means of irrigation. The up land is rainfed agricultural area. The Jordan government has been responding to different schemes of development of water resources in Jordan valley to raise production of high value crops viz., wheat, barley etc. 90% of agricultural production takes place in Jordan valley. On the other hand, in up land, wheat and barley are grown with 10% of the share in the total agricultural production.¹ Climate and topography of the up land is responsible for low production. It receives low rain-falls and comprises desert or semi desert areas. In Jordan valley modern means of irrigation and water management have been adopted by farmers who use green houses. The drip irrigation system was developed in 1968. The East Ghor Canal project was launched between 1958 and 1963 to irrigate 120,000 ha. of land. The Israel damaged the canal in 1967 war which was later on repaired in 1970. The east Ghor canal is the part of the Jordan valley development plan financed by

1. Jordan Valley Development Plan, 1975-82, pp.21-25, National Planning Council, Amman, May 1976.

international agencies. The work of the canal was completed in 1979. The Al-azraq river complex is the extension of east Ghor canal. The work was completed on the King Talal Dam between 1972-1978 and the work on the Al-azraq triangle irrigation project was completed in 1978. The other project which has been completed between 1976-1978 was the Hisban Kafrien Project. The second phase of the plan is almost in the advanced stage of completion. The second phase of the plan includes the work of the Wadi-ul Arab dam, extension of the King Talal dam, addition to Ghor canal dam for irrigating another 4700 ha. and in the Southern Ghor to fulfil the target of irrigating 13,000 ha. of land in the Jordan valley. The Jordan valley development plan is a multi-purpose project. It includes the Project for development of roads, establishment of marketing centres, schools and health centres. In 1981, 22,000 ha. of land was irrigated by the Jordan Valley Authority (JVA). The valley comprised 6000 danuns irrigated by means of green houses and drip irrigation technique. Green houses covers 741 danun~~is~~. The development plan 1976-80 provided JD 42 m. for agriculture development in the valley. High yielding varieties of seeds, fertilizers, and mechanisation improved, the productivity of the land in that valley.

Jordan is drought prone country. The government has been giving priority to development of water resources. The

Jordan Valley Authority (JVA) has been entrusted with the southern Ghor project to overcome the problem of the water scarcity. The Project has been allocated fund of JD 30 m to extend the canal to irrigate 4000 ha. The new projects are being under-taken in Wadi Hassa to store water in dam for irrigating the up land area. The work was started in 1981 at the King Talal dam for increasing 80 m, cu. water. The dam will also be used to generate hydro-electric power. A major Artesian would have been discovered Muhieba area which capable supply 75 m. cu.m. of water per year. The east Ghor Canal is being extended by 4.6 km. to supply water to high land. The extension work is completed at the cost of JD 3m. In collaboration with South Korea. A dam is also being constructed in wadi-ul Arab with the capacity of 20 m.cu.m. of water at the cost of JD 70 m. The Project will irrigate an additional area of 28000 ha. The National Resources Authority is drilling wells viz.; to tap under ground water resources at different places of the country. The NRA has the target of constructing 145 wells in the North area of Jordan. The Ministry of water and irrigation has under taken various projects in the Southern Jordan to develop water resources for all purposes at the cost of \$ 20 m. It is hoped that water consumption per capita will grow to 3000 liters by the year 2000 A.D.

The main Projects which are to be launched very soon include the Zerqa river project at the estimated cost of JD 18.6 m. The water authority of Jordan had been set up with the capital of JD 521.7 m. as an autonomous body. The development plan seeks to extend the irrigated area by 1,80,000 dunums. The water authority of Jordan is supervising the construction work of the Makarin dam and the hydro-electric power on the Yarmok river. The work on the dam has been given up for the time being due to technical problems. It was estimated that by the end of 1990, additional 114000 dunums would be irrigated in Jordan valley the Southern Ghor and the Wadi-ul Arab. A joint project in collaboration with Syria is undertaken to build a dam on the Yarmok river with the capacity of 225 m.cu.m. of water for drinking, irrigation and generation of electric power. This project has been completed by 1988. There is an agreement between the two governments for sharing water and electricity. The project is estimated to cost \$ 280 m.

The government has taken restrictive measures to put ban on imports of foodgrains. The farmers are paid double the normal price for growing more food. There was improvement of food production as the result of completion of King Talal Dam in 1978. Thus the irrigation projects are paying good dividend to the country as now the country depends less on imports. Besides the storage capacity of Aqaba has been

expanded to hold additional food stock, which was 19200 tonnes in 1981. In the following years 1982 the monsoon was again weak and the production fell to a low. However, the crop was good as the result of good winter rainfalls. The production of wheat was estimated at 180,000 in 1987-88. However it's far less than the annual requirement of 4,50,000 tonnes of wheat. Therefore, the country's dependence on imports is still quite heavy.

PROBLEMS OF AGRICULTURE IN JORDAN:

The agriculture sector has suffered a serious setback after the loss of the West Bank. It has resulted in decline of fruit production by 80% and in vegetables by 45%. The East Bank does not have the right type of climatic conditions to make up the loss of fruit and vegetable production. As the Jordan continues to depend on monsoon, there is variation on the level of agricultural production from year to year according to the weather conditions. The main-crops grown in Jordan are serials, fruits and vegetable. It is evident from fruit production in the country between the period of 1974 and 1979 when wheat and barley crops were badly effected by drought particularly in Jordan. The agricultural production yielded more foodgrain, following good rainfall in November 1979. The schemes of plantation of fruit trees and development of water resources for production of vegetables

in Jordan has brought about increase in the production of fruits and vegetables. The country achieved growth in vegetable production by 149% and that in fruit production by 540% during the period 1973 and 1986, according to the survey by the US agencies for international development. the 1986-90 plan the government land in the Eastern and Southern Jordan are brought under cultivation for the production of cereals, forage and red meat. The plan does not encourage an increase in the area for fruit plantation. It is expected that there will be enough supply of fruits from trees planted in 1970. There exist Lacuna in the marketing system of agriculture produces. It is not possible to transport the fruits and vegetables over long distances or to preserve quality. There has to be a full fledged packaging industry to supply the wrappers for keeping the vegetable and fruits fresh for a long time. The marketing problems have to be solved expeditiously. The growers are put to loss by the declining prices during the harvesting seasons.

However the Ministry of agriculture has allocated JD 1.25 m. for subsidies to farmers to make up the loss. It is hoped that the support from the ministry would motivate the farmers to increase the farm production. Besides the Agriculture Ministry has introduced the system of optimal cropping in the irrigated areas. Under the scheme a total quantity of vegetable is fixed for farmers. There is a penalty on

farmers for producing in excess of the quota fixed. This policy is devised to increase area for the types of crops, especially the foodgrains.

In March 1983 it was decided to set up marketing organisation in the public sector to handle the procurement and distribution of agricultural produce. However no agency has so far been established for marketing purpose. It is highly essential to expedite the development of marketing system for agriculture sector to overcome hardships being faced by farmers for the lack of institutional support in dealing with marketing problems.

Agriculture has shown no progress in its growth after 1967 war. However, the projects like East Ghor Canal Project, Fruit and vegetable, poultry and livestock had been given sufficient encouragement by the state. It's specially due to diversion of Yarmouk river water that there is increase in agriculture production.¹

The non-poultry livestock is excessive in Jordan. The cattle are not well fed, because of scarcity of fodder. Over-grazing of land is another problem faced by Jordan. The problem of grazing land has become acute specially after 1967

1. Jordan Valley Development Plan, 1975-82, Reports Amman-Jordan.

war. There was absolute little possibility to increase the livestock output. It is necessary that new breeds of cattle are introduced in Jordan along with other methods of raising livestock.

There has been a change in the growth of total agricultural value added since 1967. For instance fruits were not major contributors for agricultural growth during 1959-66, because after the occupation of West Bank by Israelis the Jordan lost about 68% of agricultural land which greatly hampered the growth of agriculture in Jordan. The share in agriculture growth is estimated at 40% in the total agriculture growth. East Ghor Canal Project has made it possible to undertake intensive farming in the Jordan valley. This project is responsible for vegetable production in the valley. Palestinians in Jordan valley applied advanced technique of agriculture which they have learned in Palestine. The main factors responsible for agricultural growth include increase in labour force in Jordan valley, expansion of the means of irrigation, the enlargement of cultivating area crop rotation system, Change in the cropping pattern and also application for labour extensive techniques have contributed to agriculture growth.

The period 1967-1975 is marked by fluctuation in the rainfall. The agriculture growth was affected by unpredictable weather conditions. The pre-war agriculture conditions

of poor productivity continued in 1975. In the post War period Jordan exhausted of the sources of fodder stock for livestock. By then it had become apparent that the new technique is to develop healthy livestock. Besides there was no progress in the development of means of irrigation in Jordan valley because of active hostilities in the area until 1970.

It was not before 1975 that it seemed possible to attain a high level of agricultural production because of irrigation projects both already completed and those in progress. There is wheat production in a good year four to five times more than that in a bad year. These projects reduced fluctuation in the agriculture production to large extent. It is the matter of significance that other sector of economy remains unaffected by fluctuation in agriculture production. The reason for the stable economic growth is that agriculture is not a major contributor to GDP as is usual with most of less developed countries. Therefore the economy is not effected by changes of agriculture production. Further the heavy imports of food did not allow the economy to experience scarcity in food supply. There was also no effect on commerce and transport because food distributed to the normal commercial channels in other less developed countries, imports of primary products in the years of drought result in adverse balance of payment; The government applies restricted

measures to check the demand by ensuring the supply of money. In the process the entire economy is affected. On the contrary Jordan draws down its foreign reserves to import the primary products. The government does not apply restriction on imports. The manufacturing units and other economic activities do not depend on agriculture sector for review. These products are not demanded by agriculture or supply to farmers to an extent of deprivation following steep decline in agriculture output.

The labour force has not undergone the change during 1961 to 1978. The size of the labour force had been constant because of large migration from rural areas. The rate of migration had been usually heavy during 1961-1967 and afterwards. The low income in agriculture sector is responsible for migration. The commercialization of agriculture holds promise of higher income to the farmers. Before 1975, 25% of the total land area was used for producing food for home consumption. The new trend is emerging for growing crops for the market. The average holding used for producing for sale has gone up so much so that it is more than three times the area used for growing crops for self consumption.

The objective of policy regarding land holding lacks consistency. On the basis of equity the ownership distribution should be formed. In other words, absent landlordism

should be abolished and should be related to its distribution according to the principle of equity. It should not result in deterioration of efficiency in production.

The Production Pattern

The production pattern comprises 15% of crop production in the East Bank, 10% of the income from the crop went to the owner of the land and 5% to Labour and capital. The income from animal production is not significant. In the post war period some studies examined rainfed cereal contribution in East Bank and that land holding are not equally distributed. 35-45% land was held by 10% of land owners and 30-40% of land area was owned by 75% of land owners. In the East Ghor Canal area, distribution of land holdings was more or less equal due to land reform measures.

No reliable statistic exist to determine efficiency of land holdings. However in less developed countries it is found that there is negative relationship between the size of the land holding and the average of the output per acre. It may be used as a logic for division of large farms into small sizes. The higher productivity of small farms is related to better land management and institutional facilities. It is true that generalisation of effects on small holdings in the efficiency lacks conclusive proof. There are instances of inefficiencies of small holdings as well. In U.S.A. large farms

are maintained with higher productivity due to mechanisation of farming on large scale. The farm machines are suited to large farms. However the mechanised farming is not adopted in less developed countries due to small size of farm and abundant labour. Therefore, the generalisation of any technique or method of redistribution of any technique or method of redistribution of ownership of land is not significant in less developed countries farming.

In Jordan the situation is quite different from that prevailing in other less developed countries. The farm labour is migrating to neighbouring countries. The migration of agricultural workers is making it necessary to use machines. The farm machines have been used in rainfed areas. Therefore, the size of small holdings in the rainfed area in Jordan has to be increased. If it is not done the efficiency of farm and machine both would be impaired. The custom operators have developed services to higher tractors in the dry land areas. The farmers are not required to make capital expenditure on tractors. The cooperative societies are also providing the services of farm machine to the small farmers. It is the experience in Jordan that size of land holding is not holding back the use of farm machines.

Fragmentation of holdings is a serious problem for agriculture efficiency. The fragmented areas involve waste of time and energy in the movement from one field to another. It

also involves unnecessary expenditure on fencing of fields. Sometimes the boundaries become a matter of dispute among farmers. It is not possible to check soil erosion in the rainfed areas without terracing. Fragmentation faces difficulties in terracing of fields, its consequences are serious in dryland areas. In 1975, 50% of holdings averaged 3.5 fragments per holding. The root cause of fragmentation is inheritance. However the legislative measures had been implemented in the East Ghor Canal area. It prohibited fragmentation. In practice, the legislation had little impact on fragmentation. In 1971 there were 1.2 fragments per ownership and the average size of farms was less than the legal minimum.

Priority should be given to land consultation and cooperative farming. It is felt that cooperative farming would be successful in the East Ghor Canal Area. In the rainfed areas, farmers do not support either the cooperative farming system or land consideration scheme. It is regarded as contradictory to inheritant law. The reform measures to check fragment action can be successful only when the farmers have the sufficient knowledge of the problems. However cooperation among farmers is found to some extent in matters of common countering to check soil region. A sample survey of 200 farmers confirmed their willingness for collective large arrangements. This was seen by farmers as

remedy to problem of soil erosion. Opposition to other measures for checking land fragmentation is out of ignorance. The scheme may be introduced as a package of innovations, including a programme to educate farmers for establishment of cooperative farming system. The state has succeeded in applying these measures in several areas where U.N. agencies are active in developing dryland farming system in cooperation with Jordan Government Institutions.

Agriculture census was conducted in 1975. It produced the data to determine the size of land tenureship. In the East Bank the tillers are largely owners of the land. 75% of the land is owned by them. The remaining 25% is rented. The rented land does not carry the fixed amount of the rent. To large extent crop sharing system is in vogue. In the opinion of the economists in Jordan share cropping system should be discouraged. The tenant does not have sufficient incentive to apply more capital and labour for higher production. If the tenant is the beneficiary of the incremental output, the tenants would apply the necessary inputs for higher productivity. However there is a contradictory opinion to support crop sharing system. The opinion of the second school of economists is based on imperical studies of the alternative tenure system viz. fixed amount of rent. It is recognised that the share cropped farms are more efficient than the alternative tenure system.

The above cropping system is preferred to alternative forms on the assumption that both the tenants and the landlord behave rationally. The agreement between the two parties includes sharing inputs. The fixed rent system is attractive to landlord alone because of no risk involved in the income from rent. Landlords are not effected by crop failure during drought. The landlord does not have any share in the management and supervision of crops. Therefore, the crop sharing system is found better which incorporates adjustments in managerial function of landlords and tenants. It is urged by this school that fixed rent system should be discouraged.

In Jordan, share cropping is an efficient farming system. The cost of inputs is shared by landlords in proportion to share in output. The cropping pattern was normally discussed by the landlord with the tenants. The highest returns resulted from the share cropping system. On the other hand, in some areas, the share-cropping system did not yield better results. Therefore, it cannot be argued against or in support of share-cropping system in Jordan.

It is more desirable to abolish tenancy system because ownership of tillers will certainly bring about improvement in productivity of the land. The tenant would take to use innovative methods of cultivation and carry out improvement

in the land. Such measures have been adopted in less developed countries including India. Abolishing of tenancy system has contributed to higher productivity of the land. It would also act as a lateral to exploitation by landlord in future. The landlords may be under pressure to bring the land under self cultivation. However, it would run counter to the objective, if inefficient tenants become the owners of the land. Therefore, care should be taken to eliminate both inefficient tenants and absent landlords to attain higher level of the efficiency in the production of agriculture.

AGRICULTURE UNDER PLAN

The Five Year Plans do not provide enough coverage to the production of fodder to all types of livestock, except the dairy cattle and egg laying breeds. The private sector is itself motivated to develop poultry farms. It will be therefore advisable to allocate funds to the development of non poultry live stock. It is not necessary to establish a company in the Joint sector for egg production. The plan additionally provides for development of cattle for increased meat supply. However the cattle breeds are to be raised in Jordan, it should be related to cost effectiveness. The dairy cattle projects involve significant investment by government, though the suitability of dairy cattle to Jordanian condition is not proved.

The traditional live stock of sheep and goats have not been given due priority in plan allocation. The contribution of sheeps and goats to agricultural income exceeds that which is contributed by Cattle or poultry. The government provides assistance for raising sheep and goats for meat. Sheep and goats are most suited to Jordanian conditions. The indigencus variety of sheeps can be improved by selective breeds. The improved breed of goats can be complementary to the development of cattle for meat. The SHAMI Breed from Syria is more efficient meat producer in Jordan conditions. Fatling programmes may also have been adopted for expanding sheep and goat production. The live stock producers are not aware of the benefits of fatning techniques. They under feed their live stock to maintain large number of cattle. The veterinary services should be expanded for improvement of the cattle health. The technical assistance by government agencies can fulfil the need for increasing live stock population. In short it is a time consuming process to implement package programme to developed live stock production in the dry-land areas. The bedouin settlement is one of the significant measures to promote the live stock production. The plan 1976-80 should have formulated policies in the short run particularly related to sheep and goat production.

The Five Year Plan 1981 to 1985 envisages establishment of Arab live stock company with the capital of J.D. 0.5 m. The Company is expected to raise the production of eggs to 17.6m. and that of chicks to 4,96000 annually. The company will have to contribute the cost of the project of JD 6.5 m.¹

The development of the means of irrigation was initiated in the pre-war period. The East Ghor Canal project was undertaken before 1967 war. The internal and external disruptive forces undermined progress of the project. In future the government aims to increase irrigated area by three fold. At present the irrigated area lies in the Jordan valley. It is a rainfed area. The modern methods of agriculture including intensive farming techniques are widely adopted. The crop-mix in the valley consists of 30% of the vegetables and 10% of the wheat. The Bananas and citric fruits are grown in limited areas. The fruits and vegetable together contributed 30% of the income. Little income was generated by animal husbandry.

The income of farmers in the East Ghor Canal region has not risen as much as expected because citric trees take long time to begin bearing fruits. It is hoped that there would be much improvement in the income of the farmers as better water

1. Five Year Plan for Economic and Social Development 1981-85, p.77. National Planning Council, Amman, Jordan.

management and farm management are practised. Besides, East Ghor Canal Project, the Yarmok Project are also important for the development of agriculture. The Yarmok Project could produce electricity in addition to providing the irrigation facilities. There is extension of East Ghor Canal Project South ward to the Dead Sea for larger flow for the water. It is also proposed to connect the East West Ghor Canal. Seven Dams are also planned at seven streams flowing to the Jordan Valley from the East. The fields about the level of the main Canals will be irrigated by nine pumping stations. The projects would also serve as the protection against flood. They would also provide the drainage facilities in the area.

The Plan was launched in 1955 to construct Yarmok Canal. It was estimated that 1/4 of the total area would be brought under irrigation at 1/10 of the total cost of the East Ghor Canal Project. But the Yarmok Project could not make the progress during the Arab Israel war of 1967. The proposed Yarmok River Dam was only taken up much after the Arab Israel War. Occupation of Syrian land by Israel opposite the Yarmok river bank had disrupted the construction of the dam in the early 1967. The East Ghor Canal complex was damaged by Israel attack in the area. As a result the agriculture activity came to a halt in the high land of the East bank of Jordan. The rehabilitation could only be taken up when peace was restored to the area in the middle of 1977.

The population in mid 1971 in East Jordan valley was less than that in 1967 because of the area. The government launched rehabilitation and development plan in East Jordan Valley. The Jordan Valley commission assumed all responsibilities for the development of the Jordan Valley. The 1973-75 plan was prepared to make an integrated approach to the development and rehabilitation. However serious set backs were experienced in the source of implementation of the plan. Most of the period was spent on planning, modification and remodification of the projects. Lack of experience and problem of coordination between different agencies and world wide inflation was among the chief reason for the failure of the commission to implement the plan.

In the 1975-82 plan, the irrigated area in the East Jordan Valley was raised three fold. The plan included both the new projects and on going projects. The king Talal Dam was to extend irrigated area by 6000 h. by 1982. The ongoing projects were to be completed by 1977. Among the new projects the Yarmok River Project is the biggest in the history of the Jordan valley. 42% of 15000 h. are expected to be covered by Yarmok River Project plan. The Magarin Dam in the Yarmok River will have the capacity to store water of the Yarmok river during the winter month for irrigation and during the dry season. However, the construction work has been reassumed opposite the bank of Yarmok river since 1967.

Sprinkling irrigation has been recommended in 1975-82 plan in place of Surface methods of irrigation. The sprinkling methods are expected to reduce the loss of water from 20% to 45% on average. The sloppy and uneven land can also be brought under irrigation. The value of the output at constant prices were expected to go up by 300% between 1975 and 1982.¹ The increased output will be the result of new projects. The JDP of the East Jordan Valley would be increased by 123%. The plan requires increasing the population in the East Jordan Valley by 200% between 1975 - 1982. Retained earnings from investments are more than the opportunity cost and therefore Jordan will have enough supply of foreign capital for such projects. Apart from 65% of allocation of plan for irrigation projects, appropriate funds are to be provided for development of transportation system, utilities, social services and housing. Besides, grants and loans to farmers for housing construction are also to be provided.

The government has been giving growing emphasis to the development of Jordan Valleys. The area can become the source of good supply of the Food grains, vegetable and fruits at a time when there is no supply from other area because of the harvesting in summer. The gains from irrigation project are

1. Subhi Qasem, The Agricultural Section of Jordan, Policy and Systems Studies, Ithaca Press, London, 1985.

likely to be more than that in the dry-land. Jordan can draw upon the experience of other less developed countries in planning the development of irrigation. The dryland farming suffers from non availability of new technology. It is clear that the project envisaged in the plan 1971-72 are highly desirable related to implementation of the project. There may be some delay in the completion of projects due to lack of construction material and shortages of labour. The delay can be minimised if the plan takes the necessary steps to ensure that at no stage project implementation can be delayed by these factors. Delay in the completion of the project proves costly to the economy. There should be an alternative programme of less labour intensive development in the initial period of the project because of the shortage of labour and slow migration of the population. The plan concerns to introduce change in the cropping pattern. It aims to raise the share of the fodder crops at the expense of vegetable and fruits for expansion of live stock. The economic advantages do suggest that the fodder crops do not fetch as much value at the market as vegetables and fruits. Therefore the plan should take a look at the impact of the changes in the cropping pattern in the East Jordan valley productive area. The farmers association was set up in the Jordan valley in 1974. Membership of the farmer was compulsory. The main responsibility of the association is distribution of farm equipments

and inputs to the member farmers. The Association is also made responsible for transportation and marketing of agricultural produce, for the Ministry of Agriculture the farmer association is responsible to detainment cropping pattern and rotation. The Association resembles the cooperative system with a difference of compulsory membership. The Association look upon as an instrument of cooperation and inter dependence among farmers, coming to the area as new settlers. However the control of the Ministry of Agriculture through farmers Association will not be effective without the research and extension services. The farmers' association needs guidance in Further planning development of the area. The future growth of agriculture in Jordan Valley will be decided by the course of the action of the Ministry of Agriculture, the Farmers' Association, and the agencies providing the extension services and research facilities in the area.

According to the following table wheat and barley are the principal crops. There has been a steady increase in the production of wheat as a result of the government's emphasis on more production of wheat grain. The wheat production went up from 62.8000 metric tons in 1985 to 79.8000 metric tons in 1987. The barley production also kept rising trend during the periods under review. It increased from 19.7000 metric tons to 33,1000 metric tons in 1987. The fruit plantation projects sponsored by the State began to supply fruits in ever

TABLE 10
AGRICULTURE PRINCIPAL CROPS
 (EAST BANK ONLY: '000 METRIC TONNES)
 1985-1987

	1985	1986	1987
Barley	19.7	09.0	33.1
Wheat	62.8	30.8	79.8
Squash	49.5	36.9	n.a.
Citrus fruits	81.3	87.4	121.7
Bananas	10.4	13.4	12.8
Grapes	26.2	23.2	18.6
Olives	19.7	31.8	20.4
Tomatoes	251.1	220.6	236.8
Eggplants (Aubergines)	57.3	50.6	56.6
Cauliflower	25.4	24.6	34.2
Cabbage	28.9	16.4	
Watermelons Melons	36.9	51.2 15.2	91.3
Potatoes	26.2	22.5	n.a.
String beans	20.5	12.4	n.a.
Cucumbers	69.0	64.3	67.2

Source: Department of Statistics, Amman, Jordan, 1988.

increasing amount since 1985. For instance the production of citrus fruits, bananas, grapes, olives, have all gone up steeply. The production of citrus fruits increased from 811,3000 metric tons in 1985 to 121.7000 metric tons in 1987. The production of bananas increased from 10.4000 metric tons in 1985 to 12.8000 metric tons in 1987. But Grapes supplies decline from 26.2000 metric tons in 1985 to 18.6000 metric tons in 1987 due to adverse climatic conditions. Olives production increased from 19.7000 metric tons to 20.4000 metric tons in 1987.

According to table no.10 the production of vegetable also accounts for increased production in response to new farm technology. Jordan is producing all the main varieties of vegetables for domestic consumption. Tomato tops the list of vegetables in terms of quantity produced: Production of tomato declined from 251.1000 metric tons in 1985 to 236.8000 metric tonnes. The declining trend in tomato production is the result of adverse climate condition from pests. The cost of the new technology is one of the difference in the application of new inputs by farmers growing vegetables. These account for general down ward trend in the production of all type or vegetables. For example production of potatoes 26.20000 metric tonnes in 1985 to 22.5000 metric tons in 1986. The production of cucumbers came down from 69.0000 MT in 1985 to 67.10000 tons in 1987.

Dryland Agriculture

In the arid areas wheat and barley are the main crops with some crop such as water melons. In the more dryland area agriculture and the livestock productions are combined. However, olive trees are grown in the hill areas which receive good rainfall. Wheat has been given top priority by the government in the dryland areas. As a results, 50% of the agriculture production comprises wheat. In the following table shows that by 1975 the area under wheat has been dropped by 48% of what it was in 1967. The table also indicates yearly fluctuation in the production, growth in the production and expansion in the area.

The constant agricultural production in the rainfed areas is a common phenomenon, since the conclusion of the war in 1967 between Arab and Israel. It implies that the government's development plans have failed to make an impact on the dryland agriculture. It underlines the need to change the technique of farming on the dryland area. The constant crop production in the rainfed areas is a common phenomenon, since the conclusion of the war in 1967 between Arab and Israel. It implies that the government's development plans have failed to make an impact on the dryland agriculture. It underlines the need to change the technique of farming on the dryland area. Financial assistance alone can't bring about growth in production. Arrangement should be made for the

TABLE NO.11

Indicates Area, Production and Yield of Principal Grains and Legumes, Jordan 1967-1975.

	Area	Production	Yield
Wheat			
1967	100	100	100
1968	97	48	50
1969	73	81	112
1970	99	28	28
1971	108	68	109
1972	99	108	109
1973	108	26	21
1972	109	125	114
1975	52	25	49
Barley			
1967	100	100	100
1968	122	31	25
1969	98	67	69
1970	70	09	12
1971	90	41	46
1972	104	54	52
1973	91	09	10
1974	111	63	57
1975	91	19	21
Lentils			
1967	100	100	100

1968	99	45	45
169	101	81	80
1970	90	27	30
1971	90	86	95
1972	125	93	74
1973	106	20	19
1974	95	122	129
1975	65	21	33

Source: Jordan, Department of Statistic, Statistical Year Book, Various years.

supply of modern inputs such as water supplies, chemicals, pesticides, etc. Some of the less developed countries have been able to speed up development process by applying innovation. In Jordan, modern techniques are lacking due to which dryland agriculture is still backward. Till now there has been growing emphasize on mechanization of agriculture. The machines can't bring about the improvement in production without better farming inputs as evidenced of table No.11.

New technologies are not indigenously used in Jordan. Further the institutions have not been developed to supply new technologies. It is also formed that foreign farm technologies are not suited to Jordanian conditions. The cost of foreign technologies is very high. Hence it becomes necessary that indigenous facilities are developed to meet the demand for new technologies. Whatever new technologies are available indigenously there are certain obstacle which do not permit their use. One of the principal hurdles is that tenant does not have incentive to adopt new technologies. The high prices of modern inputs make it unprofitable to adopt them. The defective distribution system of the farm inputs also underlines the scarcity of the farming inputs. Distortion in prices is the out come of faulty distribution system. These are the factors responsible for stagnation in dryland crop production.

Availability of new technologies

High Yielding varieties of seeds varieties have been commonly developed in less developed countries. The weather conditions in Jordan are not suited to the technologies. These varieties of crop can be grown in areas where water is abundantly available. The dryland crop technology can however be used in rainfed areas. It will not be possible for some time to make an extraordinary achievement in food production in the dry land. Wheat production in Jordan is one of the lowest in the world. It is expected that if the methods and technology adopted in countries with climate similar to Jordan are applied there will be some improvement in wheat production. One of the factors responsible for low production is the lack of chemical fertilizers even in the rainfall areas. It is necessary to follow techniques of intensive cultivation. Herbicides and pesticides which were unknown in early seventies are being used increasingly. The other modern methods include the ploughing practices, the seeds drills etc. They are appropriate to the condition prevailing in Jordan.

The varieties of seeds are not available in Jordan. The seeds treated with fungicides should be avidly available to farmers particularly in the wheat growing areas. The government plans and aims to promote seeds of good quality. It is worth nothing that such plans do not emphasize the

development of high yielding varieties of seeds. The centres established years ago have not made any progress in breeding good quality seeds. Lack of research personnel and feed support is responsible for failure. It is also the gap between agricultural expenditure and farmers that improves varieties which has not become popular. Financial and managerial problems have also to be solved to make the research institutions efficient.

Apart from development of seed varieties the farmers have to be acquainted with the practices of using chemical fertilizer, moisture conserving methods about which very little is known in Jordan. Some of the demonstrations conducted between 1967-1975 were not suitable for the farmer because of the high cost involved, besides it was not clear as to how much will be the impact on yield. The farmers can be motivated to incur extra cost if they stand to gain from higher production. Hence the specific measure of input levels with soil quality and water requirement should be included in the information posture together with gains in the output. It is generally seen that no information about soil and input level is given to farmers. The annual variation in rainfall is the main hurdle in the application of chemicals and fertilizer. It requires long experimentation to establish a fair norm of inputs in Jordan. It will not be long before that high yielding varieties will be used to suit the climate

conditions in Jordan. That is why that the results of the techniques of the farming in less developed countries can not be transplanted in Jordan. If financial and administrative problems are effectively dealt with, the descriptive research programme may be applied. The cost and retain of sum of the new practices are well known. Therefore the question of application of those practices does not arise. However it is suggested that loss can be made up by growing fodder on agricultural follow land in Jordan. The capital cost of seed drill practice is quite high which can be profitably adopted in the rainfed areas in Jordan, though its cost is very high. It is therefore necessary to develop inexpensive grain drill. In other words the techniques which are costly can not be adopted in the low rainfall areas. Because of the poor rainfall cost, effective techniques can only be suitable to farmers in the dryland. In 1976 the techniques included in the programme did not make much headway due to high cost. Chemical fertilizer and herbicides are suitable to moderate rainfall areas. They can be adopted for extensive cultivation in most parts of Jordan.

There are a number of reasons for the lack of application of new technologies in large part of Jordan. There are not many institutions to support application of new technologies in the rural areas. The fragmentation and small land holdings are the key factors hindering the application

of the modern technique for farming. For instance, farm machines are suited for large size farms. The cooperative farming is the alternative to the existing small holdings. The custom machinery services have to some extent ceased. This problem in the new system is serious in the application of the costly inputs such as fertilizer and herbicides. The agriculture credit institutions have not been able to supply adequate credit for the purchase of these inputs. Besides the short term credit, the farmers are not able to obtain the long term credit to purchase tractors and other farm machines because of the poor financial position and repayment capacity. Farmers in Jordan dry land area are not aware of the gains and benefits of modern technique of farming due to ignorance and illiteracy. It underlines the need to raise the rate of literacy in rural areas by opening more primary schools. There is wide disparity in literacy rates between urban and rural areas. However it is hoped that the young generation after leaving the school would take to mechanised farming. The illiteracy can not be the main obstacle in the modernisation in Jordan dryland areas. There are also other factors responsible for slow progress in Jordans rainfed areas. In 1973 it was pointed out that the government wheat price policy was not based on price; cost relationship.

The prices determined by the government were not remunerative. Farmers did not have incentive to grow more wheat.

The government subsidised wheat imports and applied controls on domestic wheat prices. The aim was to hold down the price of domestic bread. The measures succeeded to check the bread price at the expense of farmers. The farmers lost revenue in the process. A comparison within the world wheat price, reveals that the domestic prices were below the price in the world market. On the other hand the price of the inputs in domestic market were at par with that of the world market. In other words the difference between the cost and the price was far less than that in other countries of the world.

The downward trend in the prices of fertilizers in the world market favoured the farmers in Jordan for the time being. The prices of wheat fixed by the Government was slightly in comparison to that of the last year. But in the following year the government's policy again to bring down the prices of bread for urban dwellers went against the interests of the farmers. The policy served as the constant of the willingness of the farmer to adopt new agriculture practices which they have got acquainted with through the demonstration projects. It would have been better to subsidize the agricultural inputs in lieu of subsidy to bread consumers. The low price of the bread was also not compatible with increasing wages and cost of living. However, it is anticipated that modification in the government prices fixing policy, together with higher revenue from increased produc-

tion, the farmers will start to apply modern techniques of farming.

The distribution system is also responsible for inadequate application of new inputs. Both the private and public agencies undertook distribution of new technology and inputs. The experts have observed that supply of customs services, including herbicides ploughing and company harvesting, the farmers are not trained in the use of new technologies. It is therefore necessary to provide training and education to them. Such programmes can be carried out through extension and demonstration services.

The government's plans in regard to distribution of new technologies and farm inputs have to be remodelled. The packages of practices approach is not suited with the purpose. This programme is built on the assumption that farmers would adopt modern practices by means of interaction through demonstration programme. In Jordan the package practices programme comprises five or more new practices. The programmes has failed to create a favourable impact on small farmers because they do not adopt them selectively. The farmers are apprehensive of risk, high cost and problems of package programme. It has limited the success in areas where the farmers are strongly motivated by the benefit of new technologies. The new practices approach was implemented in

1970. It has not succeeded to modernise the farming in dryland areas as it is not large enough to warrant, further continuation of the package programme. Its success depends on the availability of new technologies, credit facilities, training centres and publicity of the programme. The farmers are found interested in single component of technology package rather than all the components. It is therefore clear that package approach has been a failure. The success of the programme in East Jordan Valley can't be generalized because of different situations in the dryland, viz. irrigation facilities, cropping patterns, and a number of innovations. The package programme was presented to farmers in the dryland, did not revise the actual benefits from each of the new technologies including the package. The lack of communication between the farmers and the extension workers also added to its failure. The extension services have not been found dependable for the job for years. The essential services have been found inefficient and ineffective even during development plan since 1962. The experts have attributed a number of factors to the inefficiency of extension service centres, viz. inadequate number of works, low pay, inadequate training, lack of transport facilities, low status and poor management. The lack of contact between extension workers and farmers is the single most important factor under mining the progress of the new technology package programme.

Jordan is not exception to the usual deficiencies in extension programme. They are common to all less developed countries. It will take time to have the right environment for proper functioning of extension services. Jordan has a high ratio of extension workers perform, about 1-700 as compared 1-1600, in other less develop countries like India. The extension service lacks the sign of direction to be more effective. They should be oriented to the development objectives. In India more investment is made in agricultural researches than in extension services. India has derived positive retains from investment in agricultural research in so far as adaptation of new techniques to Indian condition is concern. The Indian farmer are supplied the low cost farm technologies. The failure of extension services in other less develop countries to popularise modern techniques is due the high cost. The same is true of Jordan. Therefore, extension service programme should be supported by extensive agricultural research programme to develop technologies most suited to Jordan's conditions.

COOPERATIVES IN AGRICULTURE

The cooperative societies can be harnessed as channel of distribution of new technologies to farmers. In Jordan no such role was assigned to them until the mid 1970's. According to an estimate, there were not more than 10% of the

wheat farmers as members of cooperatives in 1975. Cooperatives had made important contribution to the advancement, of dryland of wheat farm. There is perceptible change in the attitude of the farmer towards technical changes for higher production. The five year plan (1976-1980) has cast the cooperative societies into the role of agencies to administer the integrate development of dryland crop production. The cooperative societies function as the basic unit of agricultural extension services. The cooperative societies are regular to cater to credit needs of the farmers, besides the distribution of the inputs. The cooperative holds the promise to fulfill the goal of bringing about technological changes in the farm practices in the near future.

Since 1952 the cooperative societies have been established both for agriculture and non-agriculture purposes. Till 1966 they had limited function to perform, eg.. mobilising small savings and providing small amount of credit. Major changes had been introduced in the functioning of cooperative societies. After 1967 War between Arab and Israel the cooperative societies had been reorganised under Jordan Cooperative Organisation (JCO). These have become multi-purpose societies especially for modernising agriculture sector. The (JCO) started supplying agricultural inputs since 1975 to members cooperative societies in the

IRBID district, JCO, together with the ministry of agriculture and the UNDP/FAO implemented projects for integrated agriculture development. The project is intended to establish cooperative farms, supply new inputs, popularize modern farming techniques and soil conservation practices. The project also provides incentive for planting, fruit trees and development of livestock.

The members of agriculture cooperative have been provided with inputs and services at subsidized rate, viz. Fertilizers, seedlings, backing material, herbicides, pesticide, even the farmers purchase the equipment from cooperative societies. In a large number of cases the cooperatives have to compete with private custom operators. The JCO has provided the services of a manager and an agronomist to multi-purpose cooperatives for performing extension function. The technical assistance is also provided by the JCO to member cooperatives. The rate of interest on cooperative loan is a modest amount. However, agriculture cooperatives have not yet assumed important function of marketing agriculture output.

The government provides loans and subsidies to the JCO for financing the bulk branches of agriculture inputs. It accounts for the provision of agricultural inputs and services at subsidised prices. The agricultural credit

cooperation, the CBJ and foreign donation are the substantial component of the funds utilized by JCO in financing the activities. Besides, direct loans and credit, the government has also supplied the inputs at subsidized prices. The manager and the agnorumist of multi-purpose agriculture cooperatives draw their salaries from JCO. In other words the multi-purpose cooperative societies does not have to bear the overhead cost of management and organisation.

There has been steep increase in the number of dryland farmers, associated with multi-purpose agricultural cooperatives during 1967 and 1974. The cooperative societies have to go a long way in bringing wheat to farmers in the dryland. It is expected that there would be more than 50% of the wheat farmers belonging to the multi-purpose cooperative societies till 1980. Increase in membership can be acquired as a result of subsidized inputs supplied by cooperatives. However, the rate of membership is lower in the managerial rainfall areas because of ineffectiveness of modern technique of farming and non-availability of the cooperative services. The high rainfall areas are also characterised by the absence of cooperatives. Besides the cooperatives have not launched widespread publicity to increase the membership. The possibilities for further increase of membership are unlimited if cooperative succeed in establishing contact with prospective members.

It is worthwhile to note that the technology has not kept pace with the majority of farmers because of defective delivery system. It calls for increase in the number of extension agents. At present the ratio of farmer to extension agency is high. The approach of agents to cover a group of farmers has not paid the dividend. The extension services should concentrate on individuals to tackle problems of adopting modern technology. The Ministry of Agriculture may add to the effectiveness of the integrated agricultural development project by sponsoring the research and extension services. The cooperatives can become instrumental to this dissemination of the new technology. The Ministry of Agriculture of Cooperatives can be complementary to each other.

For cooperatives to be an effective instrument of agricultural development in dryland area, it is necessary to coordinate the activities of the Jordan Cooperative Organisation and the Ministry of Agriculture. Further autonomous cooperative system may be more desirable to discharge extensive functions. The constant government patronage strict official control and supervision is stiffling the growth of cooperatives. However, it may cost the cooperatives in terms of loss of services of Civil Service which are more capable of dealing with managerial problems. It has been often pointed out that cooperatives

are weak because of the government interference in their function. The autonomy would, of course, remove the drawbacks of cooperative system if there are not overlapping responsibilities and duties. It calls for the need to assign less complex functions to cooperatives. In other words less complex activities can be effectively performed by cooperatives. The Jordan valley commission is illustrative of autonomous agencies performing similar functions. However, a balance has to be held between the authority of Ministry of Agriculture and the Jordan Cooperative Organisation in administering various Agricultural Projects. The Ministry of Agriculture can provide support to cooperatives by developing new agricultural inputs most suited to Jordanian conditions. The cooperatives are hardly equipped to undertake recent programmes. There should be a limit to delegate power and responsibilities to autonomous agencies, including cooperatives.

The institutional development may bring about radical change in agricultural practices in dry land areas. The crop oriented programmes may enhance effectiveness of cooperative societies in the development of dryland production. The cooperatives may handle the problems related to propagation of new techniques of farming. The land fragmentation which is a serious setback to modern technology can be overcome by inducing the farmers to organise the cooperatives. It would

be easy unless expensive to make available extension services. The findings of agricultural researches can be used in cooperative farms to demonstrate the good effect of improved seeds and fertilizers. In case of areas which are far away from the cooperatives farms and research centres, priority should be given to development of cooperatives for supply of inputs at subsidised rates.

It is worth noting that the cooperatives have not played an effective role in the attainment of objectives of five year plans (1976-80). The underlying problem is the lack of coordination between different agencies promoting dryland crop production, secondly the targets of the five plan were too ambitious an important question to consider as to whether that with proposed withdraw of subsidies will not adversely effect the number of cooperative members. The government may think of making the subsidies permanent. It is equally necessary for the success of cooperatives to improve the efficiency of agricultural co-operative societies. The cooperatives, should call upon to increase the members and raise their funds sufficient enough to finance their activities. The Jordan cooperative organisation should not divert its resources to non agricultural functions. Though the consumer cooperative societies, housing cooperative societies and marketing cooperative societies may be managed

by JCO, yet the focus should be placed on the promotion of dryland agricultural development through cooperatives.

LIVESTOCKS

Livestock constitutes a significant part of the wealth of agricultural sector. Less attention has been paid to the growth of non-poultry livestock, viz., sheep, cattle, horse, camel etc. There was not much increase in the output of the livestock in the post-war period. The growth was substantial in the pre-war period. The traditional techniques used to raise the livestock have been responsible for slow increase in the number of the livestock. The prospect of the large livestock are limited by inadequate grazing grounds. The growth rate of livestock in Jordan is far less than that in developed countries. The gap can be bridged by adopting the modern practices of raising livestock. The future growth depends on the application of optimum practices. The absence of efforts on the part of the government to introduce them is responsible for the existing state of the livestock output. It is felt that it would be too difficult to popularise the new techniques in the dryland sector. The package of practices can bring about significant progress in the livestock production in the dryland areas. The package of practices should comprise the better breed of cattle and the veterinary centers for the treatment of sick cattle. It would reduce the rate of mortality among cattle. The problem of

fodder requires better land use practices. The crop rotations can make the problem of scarcity of fodders easy. The range land can be developed to a low grazing of the cattle. There has to be restricted access to grazing land and pasture areas not seem to be easy to check individual owner in the traditional posture areas. The government is aware of the problem of over grazing. It has not implemented effective measures to control it. The bedouin grazing rights and practices still continue unchallenged. However the process is underway for the settlement of bedioun issue rested to grazing areas. The government is initiating steps to increase the supply of fodder to their cattle from other sources. The quota should be determined for the fodder from range land. A part of grazing land should be left ungrazed. This is a new technique of rotation grazing land to check the grazing land becoming devoid of foliage.

Jordan has been experiencing disappearance of range lands because of the serial crops grown in arid areas. However, an attempt is being made to check this process by planting berellial grasses. It is hoped that there would be increased fodder supply and serve as a means to reduce soil erosion. The administrative problems are likely to slow down progress of this project. Though the fodder supply can be stepped up by imports, it is not economical to transport fodder over long distances. The poultry feed is only

imported. The crop like clover or sogum can be grown to increase fodder supply indigenously. The attractive prices are inducing farmers in irrigated areas to grow fodder crops. It is therefore hoped that the scarcity of fodder will be overcome in the near future. A major increase in fodder supply is projected in five year plan 1976-80.

Agricultural Marketing and Credit

The private marketing system, came to be regarded as inefficient. It is also argued that these are responsible for monopolies and restricted trade practices. In this sense private marketing system was not favoured in the set up to serve consumer interest. But recent researches in less developed countries point out that private market system is economical to consumer due to mutual competition. However private distribution system suffers from infra-structure bottlenecks, viz. lack of transportation, communication and organisation. It is unlikely that there would emerge any monopoly in agricultural marketing because of increase of the number of business units. There is no tendency to put restriction on the entry of new entrepreneurs. The researches in less developed countries in farm marketing system, are not conclusive because of non-availability of sufficient data to present the true picture.

In Jordan the agricultural marketing system is not fully developed. The services undertaken from time to time are not adequate. For instance 28% of the farmers of the dryland are reported to suffer from inefficiency of marketing system. On the other hand El-Hurani observed that marketing system in Irbid district is highly competitive and efficient. According to him farmers have the storage facilities to dispose of their produce at a time when price were remunerative. No research material pointed out that Jordan does not have a strong marketing system.

However, distortion are created by government intervention in the distribution of agriculture produce. The government intervention is not justified by economic sector. The development plan and policy measures to deal with traders monopoly and monopsony. The establishment of Jordan Agricultural Marketing Organisation illustrates the concern of the government about the evils of monopolies. The (JAMO) runs retail centres in Amman for distribution of vegetables at fair prices. It is hardly surprising that the retail centres of the organisation could not be successful inspite of subsidies provided to the retail trade. However the Agricultural Marketing organisation provided incentive to vegetable growers under taken to purchase the produces at pre-determined remunerative prices.

The government concern was confined to price control instead of restructuring marketing itself. For instance in 1972 and 1974. The Ministry of Agricultural products in the interest of domestic consumers. The methods adopted by Ministry of Agriculture are not systematic. The Ministry has the sole responsibility of food price in the domestic market. It always exports when the domestic prices during the season tend to slow down and vice-versa when the prices are high. This is not a desirable measure, the state would do better by building up buffer stock during the season for releasing of foodgrain during the off season.

The Ministry of Supply has assumed the function of controlling the supply, price, and marketing of wheat since 1974. The Ministry procuring wheat in the world market at the high price for supply to flour mills in the cities at subsidised rates. The marketing system has become to be restricted for private traders due to canalised distribution of wheat. The wheat export is not significant and it has gone down substantially. Besides there has been advance effect on the demand for indigenous wheat because of the six large urban, commercial milling companies. To wheat producers are the alternate losers. The Ministry of supply controls the prices of the end products of the flour mills and the bearers in the interest of consumers the market of indigenous wheat

is confined to rural areas which are out of the purview of the Ministry of Supply.

The cooperative societies have not been entrusted with the Agricultural Marketing, except the Farmer Association to market fruits and vegetables in cooperation with Agricultural Marketing Organisation (AMO). The Five Year Plan 1976-80 proposed four centres of the farmers associations for storage of vegetables and fruits. However, the plan does not provide for full-fledged role of farmers association in marketing system. For instance they do not carry out standardisation, gradation or other techniques of marketing. The law however allowed the Jordan Valley Farmer Association to undertake whole-selling. It is indicative of the intention of the law to bring the marketing system in the public sector.

The debt of farmers to landlords and money-lenders is the universal phenomenon. Jordan is an exception in it, since the farmers obtain credit from the government agencies, relatives or friends. Even in the drought years of 1960 and 1961 the farmers did not get loans from money-lenders, merchants or land-lords. The farmers were generally able to finance their activities with their own capital with the exception of 16% of farmers indebted. The subsequent survey substantiated the view that the majority of the farmers were free from the clutches of money-lenders. However, the government loans to

farmers capitalising due to landry reforms in the East Ghor Canal area during 1966-67. There is little information about credit possession of farmers in other areas of Jordan. The Financial condition of farmers in other areas is bound to be unsound owing to less development of agriculture. According to a survey of small group of the farmers in the dry land area in 1968, money-lenders were found financing 76% of the farmers. According to Agricultural census in 1975, 11% of the farmers in Jordan obtained loans. However, the sources of loans are not categorised in the census.

Low level of borrowings is a constraint on Agricultural development process and investment activities. It may be due to low returns on investments that the farmers do not avail of credits from money-lenders. For instnace, the application of new inputs in Jordan is not still widespread because of low returns. The scope for profitable innovations in agriculture can not be widened without raising the farmers expectations for higher income.

Jordan has Agricultural Credit Corporation (ACC), The Cooperative Credit Societies (CCS), and Commercial Banks (CB), for agricultural credit. The Agricultural Credit Corporation is the largest supplier of the agricultural credit. The Agricultural Credit Corporation was established in 1960. Its funds consist of foreign aid donation, the government grants and aids. It does not attract deposits

because of the low lending rates. It sanctions long-term loans and medium term loan, in addition to short-term loans. It frequently re-scheduled payment of interest and repayment of loans according to the existing financial condition of farmers. The Agricultural Credit Corporation sometimes renders technical assistance. The loans of the ACC are secured. It accepts security of shares, debentures, real property or the bank guarantee. The recovery of loans is not satisfactory due to special circumstances arising from 1967 war between Arab and Israel, occupation of the West Bank of Jordan. The lenient policy of ACC has also encouraged over due loans.

The interest rates of the ACC are far less than those charged by the commercial bank and money lenders. The Agricultural Credit Corporation charged 6% interest in contract with 9% on commercial bank loans and 30% on loans from merchants.¹ The effective rate of interest charged by the Agricultural Credit Corporation is even less than 6% because of the waiver of interest payment on over due loans. The favourable terms and conditions increase the demand for the loans from Agricultural Credit Cooperation.

1. Subhai Qasem, The Agricultural Sector of Jordan Policy and System Studies, The Abdul Hameed Foundation Amman Jordan, 1985.

It is generally supposed that the institutional credit is largely availed by big farmers. A survey conducted in Jordan valley availed of Institutional credit in Jordan. The borrowers taking loans from institution had more income than those depending on non-institutional lenders. It proves that big farmers take the benefit of institutional credit due to the tangible securities they hold, better financial possession and also political power. However, the ACC is training match the demand for loan with the supply of funds by rationing out amount of the credit. The amount of credit has been rationed out in such a way as to reach various large farmers. The subsidies on loans amount to transfer of income to large farmers. It becomes clear that the ACC has to take the view of its lending policies to provide benefits of credit of small farmers. The lending rate should be raised to generate secular on the one hand and discourage unproductive use of loans on the other. This measure would also enhance the ability of Agricultural Credit Corporation to attract deposits for more funds to cater to more credit requirements to the farmers.

The uniformity in lending rate by different financial institutions would induce the borrowers to obtain the loans from other sources. It is possible that the Agricultural Credit Corporation would emphasize on less demand for the loans and its funds will be sufficient to fulfill credit need

of the small farmers. There is also the need to relax the security requirement in the case of small borrowers. The procedure should be simplified to avoid delays in the provisions of loans. Improvement in Agricultural Credit System is crucial for higher productivity.

The better farming techniques are too costly for small farmers to adopt without institutional credit. Therefore Agricultural Credit Corporation should be accessible to small farmers.

CONCLUSIONS

In conclusion, the government has emphasised the development of the cooperatives to overcome the problems of agricultural development. In the years, before the Arab Israel war in 1967; the government plans made little headway. The problems arising from the war, specially those of the food scarcity, led the government to make serious attempts to increase land productivity. However, the development plans for modernisation of agriculture could not be successful in the beginning due to the pricing policies and absence of research activities on the large scale enough to develop new agriculture inputs suited to Jordanian condition. The failure of farmers to take to modern farming techniques is traceable to lack of education of farmers in the methods of application of new inputs and practices. In

addition to ignorance of farmers the un-remunerative price policies of the government discouraged farmers from increasing extra cost of the new inputs. If the government makes the prices remunerative it will serve as an incentive to farmers to change the traditional farming practices. The government is also required to promote the research centres and the distribution system for inputs. Neglect of either of them will not be in the interest of agricultural development in Jordan.

However, the application of chemical fertilizer and pesticides has become quite popular with farmers. It will not take farmers long to make the break through provided there is enough financial support to the farmers for procuring the necessary equipments and machines. However, the amount of chemicals would have to be determined in the light of soil condition and climate variation. It is equally important to introduce the new till age. The management practices would have to be a tuned to modern forms of till age. Therefore the institutions should be established to train farmers in modern farm management.

The cooperative system offers solution to the problem of agricultural development in the dryland area. The achievement of cooperative system in the areas of operations, provided some consultation. However, the Jordan cooperative organisation and the Ministry of Agriculture should be

entrusted with the task of coordination. Between Cooperatives operating in different dry land areas. Cooperatives should be regarded as instrument of agricultural development. The technology available indigenously should be delivered to farmers through cooperatives. The information should be monitored by the Ministry of Agriculture to gauge the success of its development policies.

CHAPTER-III #
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FINANCING OF AGRICULTURAL SECTOR #
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IN JORDAN #
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CHAPTER-III

FINANCING OF AGRICULTURAL SECTOR IN JORDAN

In the preceding chapter, it has been discussed that agriculture is an important sector in the economy of Jordan. It provides employment to 15% of the country's labour force and tends to reduce its dependence for food on imports to a large extent. Agriculture has been allocated substantial funds in successive developmental plans of Jordan. The government plays a complementary role in the development of agriculture. It undertakes to build up the necessary infrastructure and make provision of the basic services for agricultural development. The government of Jordan has recognized the importance of financing this sector. Private capital is not attracted by the agricultural sector due to high risk and low returns. For this reason the commercial banks of the country do not supply long or medium term loans to agriculturists. On the other hand the farmers' need for credit have grown vastly in the wake of rising costs of modern inputs and new farming technologies. The government has made serious efforts to streamline the agricultural credit system during the last forty years. However, the credit needs of farmers have not been fully satisfied due to the financial constraints. The agricultural credit system comprises both public and Private agencies. In the present chapter, financing of agriculture has been examined.

I. The Public Sub-System of Agricultural Credit:

A Public Sub-system of Agricultural Credit has been brought into existence by the government for soft loans to farmers. The Agricultural Credit Corporation, The Jordan Cooperative Organisation (JCO) and the Jordan Valley Farmers Association (JVFA) have been instituted with capital contributed by the government. In 1980, 50% of the loans were advanced to farmers by these three institutions.

The Agricultural Credit Corporation (ACC): The Agricultural Credit Corporation was established in 1959. It provides credit for agriculture projects. It is one of the specialised agencies that fulfils 59% of the farmers' credit needs. In 1980 it sanctioned loans totalling JD 14 m. for agricultural projects. In 1982 the outstanding loans to such projects amounted to JD 20 m. Between 1960 and 1982 loans sanctioned to agriculturist, by this agency increased approximately seven times, from JD 3.75m 1960 to JD 20m. The authorised capital of the corporation is JD 12m. and its paid up capital is JD 8m. It holds assets worth JD. 21m, 40% of which are financed with its own capital and 10% with retained earnings. It also mobilises 34% of foreign loans, 3% of local loans and 3% of funds from other sources. These borrowed funds constitute a major part of its capital; The ACC charges 8% interest on short terms loans and 7% on medium term ones. It does not usually grant long terms loans. The ACC collects interest on short terms loans in advance. Payment of interest on time entitles borrowers to a rebate of 1% in interest. Default in

payment carries a penalty of 1%. However the Corporation does not charge penalty rates for default in the repayment of medium terms loans.

The Agricultural Credit Corporation finances agricultural projects in accordance with the national developmental plans. Its operations are not motivated by profits. But still it has to generate enough income to cover its cost and to provide for surplus for future growth.

The head office of the ACC is located in Amman with branch offices all over the east bank of Jordan. Farmers deal directly with the branch offices of the ACC. Its supervisory staff faces no problem in supervising proper utilization of loan by farmers. In 1982, 214 people were employed by the ACC. Its activities are concentrated in Jordan Valley, where it has three branches. The board of directors of the Corporation is composed of representatives of the private and public sector. It advances credit for various lengths of time, up to ten years. But besides lending money to farmers, directly, it also allocates some funds to the Jordan Cooperative Organisation for doing so. As security, the ACC accepts as surety the real estate, such as crops, stocks and shares, evidence of deposits in banks, proper guarantee documents, joint security and promissory notes carrying two or more signatures issued by banks or other lending institutions. In the allocation of loans for various uses the Corporation has its priorities, according

to which direct lendings have been confined to projects relating to live stock, poultry and bee-raising; irrigation works, terracing and land reclamation, agricultural machinery and equipment, tree plantation and construction on farms.

The operation of the ACC are specified in the 1963 law No.12, the by-laws of which are framed from time to time to regulate its operations. The ACC is a Semi-autonomous body. It has financial and administrative autonomy. Its Board of Directors consist of the representative of the government, commercial banks and farmers. The Director General of the ACC is the Chairman of the Board. There is a Deputy Director General to assist the Director General. Both the Director General and the Deputy Director General are appointed by Cabinet with the consent of King Husain. The main function of the Board is to formulate lending and investment policies, the Director General and the Deputy Director General are responsible for the implementation of the Board's policies.

Organisational Structure and Working:

The organisation of the Corporation comprises three main Departments to look after financing, lending and investment and administration. Each department is headed by Assistant Deputy Director General. There is a senior official in each of the departments for internal auditing, general supervision and foreign relations. The Deputy General looks after the branches. There is a Personnel Committee headed by Director General to look after personnel management, and

fixation of salaries, among other things. The following chart gives a clear idea of organisational structure of ACC.

Loans are extended by the Corporation to farmers on no profit no loss basis, by way of financial assistance for agricultural developments. However, the Corporation supervises the utilisation of loans by farmers to check the diversion of funds to non-productive purposes. Farmers have to face inconvenience due to the complicated rules and procedures for obtaining loans. The ACC has made efforts from time to time to simplify these rules and procedures. Besides the ACC does not follow a rigid time table to recover loans from farmers. Recoveries are often rescheduled if farmers faces financial problems arising from damage of crops, changing climatic due to vagaries of weather. In the opinion of economists, it is desirable to expedite the recovery of loans and to raise interests rate on loans so that ACC generates a surplus for effectively meeting the credit requirements of the farmers. Coordination is maintained between the ACC and other government-agencies viz. , the Higher Agricultural Council (HAC) of Jordan, the Ministry of Agriculture (MOA), the Land and Rural Department (LRD) and the Central Bank of Jordan (CBJ). All these agencies are represented by senior officials as Directors of the Board of the ACC. This is with a view to implementing the plans and policies of the government relating to the agriculture. HAC and MOA formulate agriculture plants for

implementation by other agencies, including the ACC. The Corporation requires the borrowers to obtain licences or certificates from government agencies in respect of the use of agriculture resource made by them. Credit facilities are available to all citizen of Jordan engaged in agriculture and is not subject to any ceilings. The ACC has only to be convinced that the loans would be used for productive agricultural purposes. However the safety margin which the ACC retains is as much as 25% of the value of a security, which is ascertained by the ACC on the basis of its marketability. Small farmers are unable to furnish the collateral security in addition to two guarantees. It would avoid hardship to farmers if loans are related to viability of agricultural projects rather than the value of security and guarantees. In a number of less developed countries, including India, the convention of the security in lending by banks to farmers is becoming a practice of the past. ACC does not compete with the financial institutions already operating in rural areas and does not sanction loans to farmers of the area which is already served by other financial institution. Further it does not sanction loans to borrowers who do not have licenses from government agencies. The eligibility of the borrowers is proved by the license from government for credit.

The ACC does not impose any restriction on the borrowers regarding the purposes for which loan is required by them. A farmer has to submit an application for loan

specifying the amount of the loan and the farming activity for which it is required. This application contains necessary information from the farmer for assessment by ACC. The application form also contains certain particulars pertaining to the previous loans. This information is verified by the branch office of the bank, which furnishes details of the financial position of the farmer and the amount of loans outstanding against him. The ACC does not grant loans to farmers who are found to be defaulters in the matter of payment of interest and repayment of the previous loans. Previous loans have to be fully repaid together with interest to obtain sanction for a new loan. The supervisor of the bank gathers first hand information about the financial position of the farmer including the size of his holdings, the size of his family and his total liability, the type of farming activities he wants to undertake. The supervisor also gives an estimate of the amount of money required for the activity being undertaken by the farmer. The records in ACC become the basis for acceptance or rejection of security as the estimates furnished by farmers in loan application, before a final decision is taken. The inspection report by the supervisor is attached to the loan application the reference number of which is put on the file by the branch office. The inspector gives his opinion about the character, capacity and financial status of the borrower. He may also include other information relevant to the objectives of the loan.

The government of Jordan does not impose any tax on farm income. Land holdings are acceptable to financial institutions as securities. This practice imparts liquidity to landed property. It is one of the main reasons for invitation to investors to extend financial assistance to farmers for extensive farming activities. The government provides detailed information about land ownership for use by financial institutions to estimate their credit requirements. It makes provision in its budgets for funds to ACC, so that farming activities do not suffer from insufficiency of money either for the working capital or the fixed capital.

The government of Jordan also furnishes information about agricultural credit to farmers by other institutions. The ACC requires first mortgage so as to minimise the risk of loss in case of default in repayment of loans or payment of interest by borrowers. Besides, ACC succeeds in avoiding competition with other financial agencies, whose role it complements. In other words, only those borrowers are given loans by ACC who are unable to obtain credit from other financial institution.

The ACC has to perform certain other important functions. It obtains funds from different sources. It is

authorised to mobilise funds both from domestic as well as foreign money markets. However the ACC has to obtain prior permission of the government to obtain foreign loans. The Central Bank of Jordan is authorised to sanction credit to ACC upto JD 3.2 million against credit instruments. The period of loan to it by Central Bank of Jordan (CBJ) can exceed five years. Funds of ACC also include loans recovered from the farmers and the interest income thereon. The ACC is also empowered to accept this deposits from the public, but it does not exercise this power because of the loss from the high rates of interest payable on deposits compared with the low rates of interest charged on loans to farmers. The period of the loans sanctioned by the ACC does not exceed 10 years. The ACC is not, however, prohibited by any statute to sanction loans for longer period. It seems that financial stringency comes in the way of advancing long terms loans. The CBJ on which ACC largely depends for funds, is not able to provide the adequate mounting areas, insufficient allocation by the government and inadequate foreign loans do not permit it to meet long term credit requirements of farmers. Therefore, the ACC loans are medium terms ones. The ACC is also provides the short term loans to meet the working capital requirements of farmers. The period of short term credit is one year.

The ACC has to follow certain rules and procedures in lending and investment activities. These include basic information which the farmers submit to the branch office of the ACC. The recommendation by the branch office is based on the inspection report. There are branch committees which can sanction a loan of JD 200 per application to a single borrower. Loans exceeding JD 200 are sanctioned by the head office, which is under the control of a central committee. Each branch office is headed by a branch committee comprising the branch manager and two officials of the Ministry of Agriculture and representatives of farmers. The Central Committee at the Head Office comprises the Deputy Director General, the Assistant deputies of finance and loans and representative of farmers. Besides, there is the Loans Department for assessing and evaluating proposals for loans received from the branch committees. This Department forwards the applications together with its remarks to the Central Committee for final approval. The Central Committee is headed by the Director General. The resolution of the Central Committee becomes effective only when these are assented by the Director General. The Central Committee does not have the power to sanction loans exceeding JD 3000 per application. The board of directors of the ACC is authorised to make loans to any limit. Therefore application of loans exceeding JD

3000 are put up before the Board of Directors for approval. As already mentioned the loans are not provided by the ACC for an amount equal to the full cost of the project. The farmers are required to meet at least 25 per cent of the Project from their own resources. It is an element in the rules and procedure of the ACC to involve the farmers' personal estate in the project. This will impart essence liability to the borrowers to the extent of the risk they have to assume for the personal estate on the successful completion of the project. It also insures effective control on the cost of Project, utilisation of funds and a carp on financial imprudence.

The (LRD) is entrusted with the responsibility of mortgaging the property of the borrower and signing the contract on behalf of the ACC when the loan is sanctioned. The bond specifies the terms and conditions of the loan. It gives details about the objective of the loans, the period, the instalment for repayment and the rate of the interest on the loan. It also contains the specifications about the property which is mortgaged. It creates a charge in favour of the ACC on the property. The procedure to be followed for the disposal of the property is also maintained on the bond. This provision is to be invoked in case of the fall. The ACC takes

two to three weeks finally to sanction the loan to the borrowers. The copies of the bond are preserved both at the branch office and the head office.

The ACC takes precautions to ascertain the credit worthiness of borrowers. It is based on the honesty of the borrowers' integrity knowledge and experience, competence and capacity of the borrower. Besides the ACC does not sanction loan to any borrower who fails to furnish an adequate guarantee.

The rate of interest is a matter of policy to be decided by the Board of Directors. The rate of interest varies with the period and amount of loan. For instance 8 per cent is charged on seasonal loan as compared with medium and long term loans. The apparent reason for high interest rates on medium and long term loans is the degree of risk. The ACC gives incentives to borrowers repaying the loans yearly by refunding 1% of interest. Concessional loans are granted to farmers in dry land areas provided it does not exceed JD 5000. The ACC charges 6 per cent of interest on such loans. However the rate of interest charged by ACC is far less than that charged by commercial banks, viz. 10 per cent. The main objective of the low rate of interest is to exact

minimum cost on the farmers. The credit to farmers fulfills the basic need for modernisation of farming in Jordan.

Principles:

The ACC follows sound principles of banking in providing credit to farmers. The period of the loan is related to the productive life of the Project. It has set a standard term to each type of farming activity. For instance seasonal operations are categorised for short term loans not exceeding the period of one year. The land development and reclamation of land, among other activities, are eligible for medium term loans. Development of the means of irrigation, purchase of tractors etc, are the projects to be financed on long term basis. Similarly in case of fruit tree planting half of the period is in gestation, because of the natural cycle for a tree to bear fruits. The farmers are overburdened with loans during the period of growth of the trees. Recovery of loans, together with payment of interest, coincides with income from fruits of trees planted. Besides each year the repayment of loan is made in the end of November each year because the fruits are gathered from trees in this month. The schedule of repayment is subject to revision by the Board of Directors for adjustment with crop condition. The Board is

vested with powers to grant waiver of repayment of loans and interest in the event of crop failure.

The area branch managers are responsible for realisation of arrears. The advance notes as are sent out to borrowers to arrange for the payment of dues on the date specified in the notice. The amount is collected by the ACC collectors from the farmers in villages. The payment is receipted by the collections under the ACC scale. Some times individual borrowers are unable to make full payment of the amount due. The collectors take a lenient view and except partial payment. They are also willing to extend the period of recovery by rescheduling the instalment. The liberal policy of the ACC has of course resulted in the erosion of financial strength of the ACC. due to substantial amount of funds remaining tide up. It is therefore necessary to expedite the recovery of loans outstanding.

The Laws dealing with the recovery of loans are stringent. The ACC is given sweeping power to deal with cases of wilful defaults. The ACC is empowered to realize loans from the Sales proceeds of the mortgaged property. But the legal procedure has to be doubled for the public sale of the security. In the first instance the transfer of title has to

be carried out by observing certain legal procedures which are slow and long drawn out. The borrowers gain time for settlement of dispute with ACC before its conclusion in the court of law. The Acc generally accepts the settlement outside the court in the interest of farming class and also to be helpful to them in the future. In short legal proceedings are resorted to when all the other persuasion failed to produce the desired result.

The law by which the ACC has been brought into existence incorporates certain provisions for the growth of funds. The law provides for mobilisation of savings by ACC. It is authorised to accept deposit of money from public. The main objective of provisions besides organisation of funds, is to provide avenues of investment of small saving holders. In other words it seeks to create a climate of investment in the country. It is especially relevant to efforts of the state for the growth of rural savings where the financial institutions are conscious by their absence. It is generally seen that incremental income accrues to households without any plan objective. Generally its wasted untraditional consumption expenditure or customary investment in land and jewellery. The ACC can break a new ground by providing opportunity of participation to small savings holders. In the

development of rural economy will add to the growth of national income with accelerated capital formation with less strains on national exchequer. To a large extent the ACC would depend less on subsidies from government donation from foreign donation and loans. The inadequacy of capital funds will be mitigated by the amount of savings mobilized.

However the ACC has not been enthusiastic to accept the deposits of money. It has allowed erosion of capital in a bid to sustain lower cost of loans which it supplies to farmers. It is not willing to pay higher rate of interest on deposits in competition with commercial banks. The savings holders are attracted to banking services among other things by the rate of interest. The interest income on deposit is determined by the rate of interest. It is quit obvious that there would accrue more income to the savings holders with the increasing rate of interest. For these reasons the low rates of interest offered by FCC is no longer relevant to the existing money market conditions. The FCC can protect the farmers interest by raising their revenue productivity instead of letting them go without sufficient credit. The Central Bank of Jordan should assume the responsibility of maintaining an appropriate rate structure. As the money market becomes more

developed, the fluctuating interest rates will be are of the retailments of the corporate wealth.

The ACC follows the procedure of effective control on utilisation of loans by farmers. The head office provides renewable loan funds to branch managers. The first instalment is made available to farmers for undertaking the actual project. As the work progresses, the funds are supplied to farmer. The amount of the funds to be provided by the head office subsequently is determined by assessment reports which are made by branch staff. The branch staff pay fact finding visits to the projects sides each time the instalments are realised.

Special account is held at the local bank for deposits of amounts collected by way of recovery of loans. The local bank transfers the amounts collected to head office. The head office in term transfer the amount so collected in a Central Bank Account. The Central Bank account constitutes single funds resource for all payment of the head office including the loan advances. The following diagram illustrate the activities of the ACC discussed in foregoing paragraph.

Figure 3.2: Agricultural Credit Corporation: Repayment of Loans.

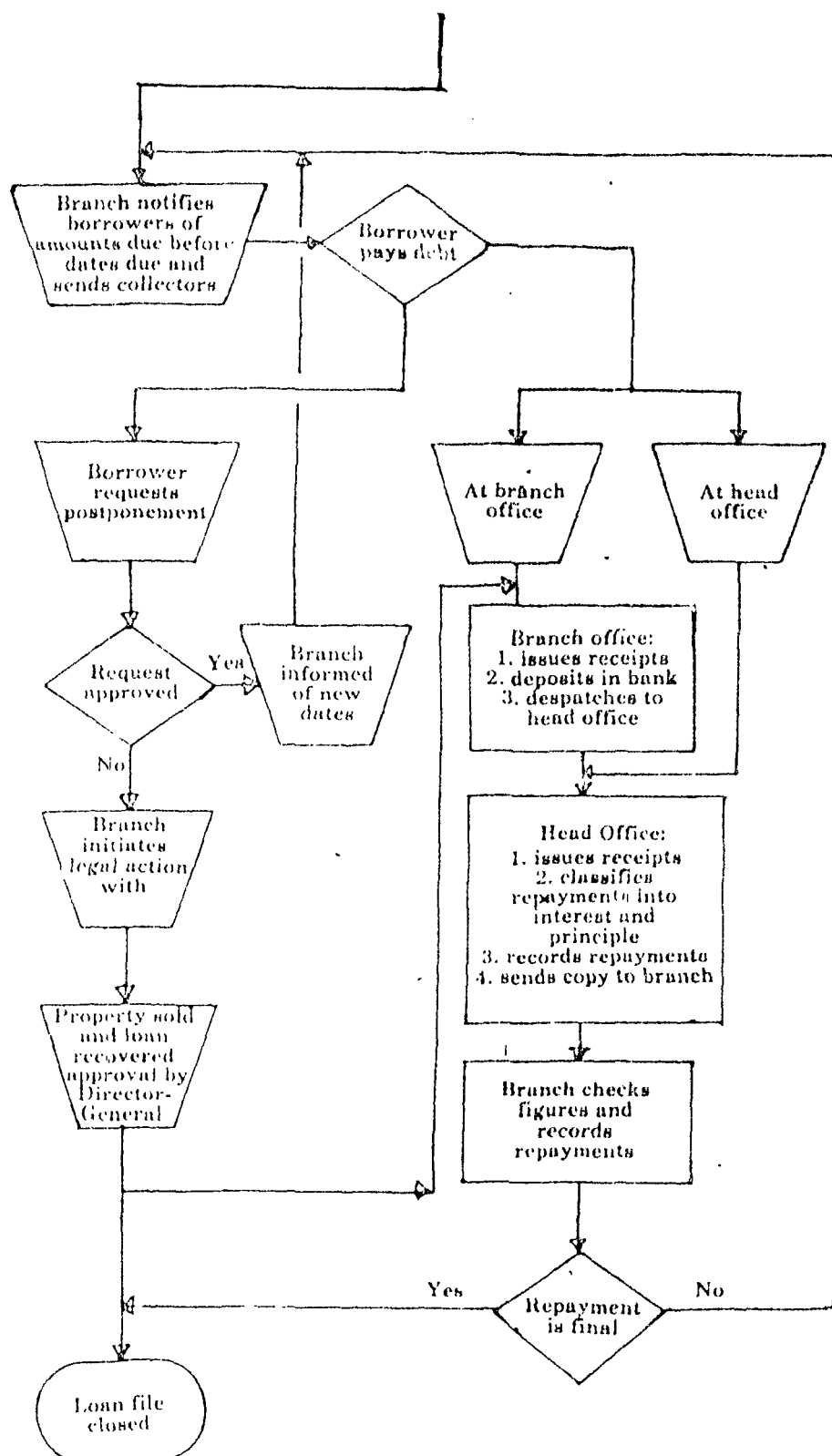


Figure 3.3: Agricultural Credit Corporation Lending Activities.

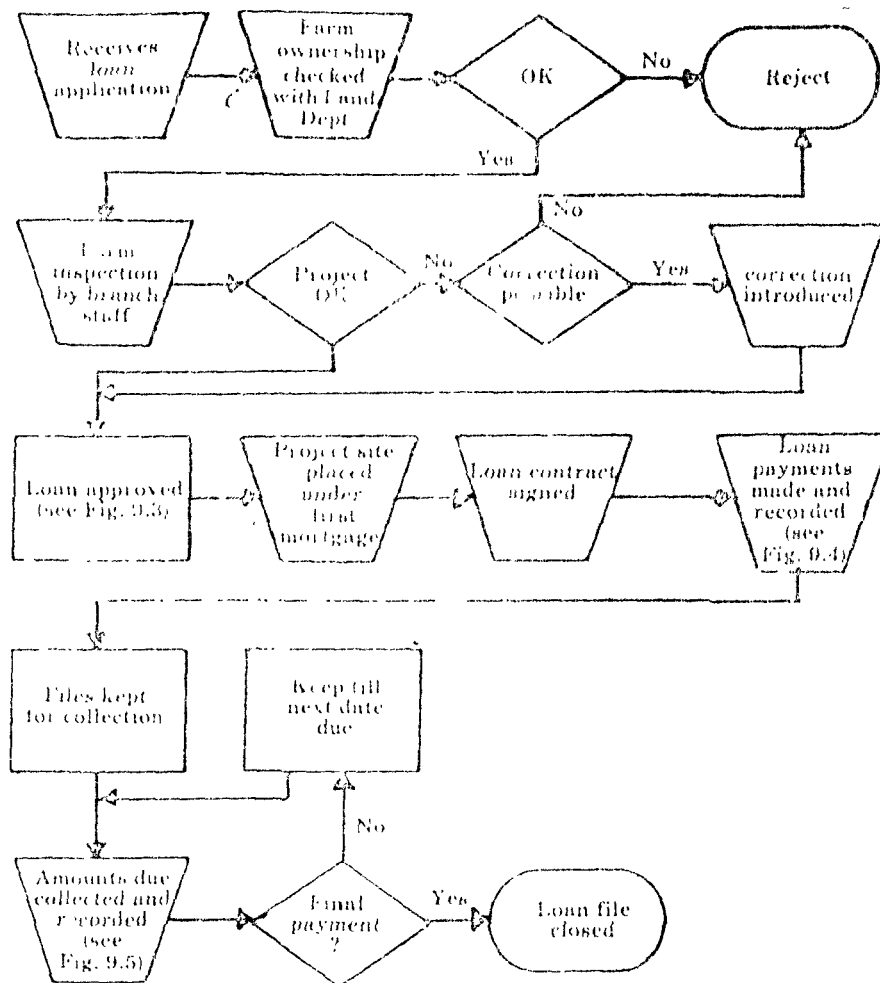


Figure 3.4: Agricultural Credit Corporation: Approval of Loans.

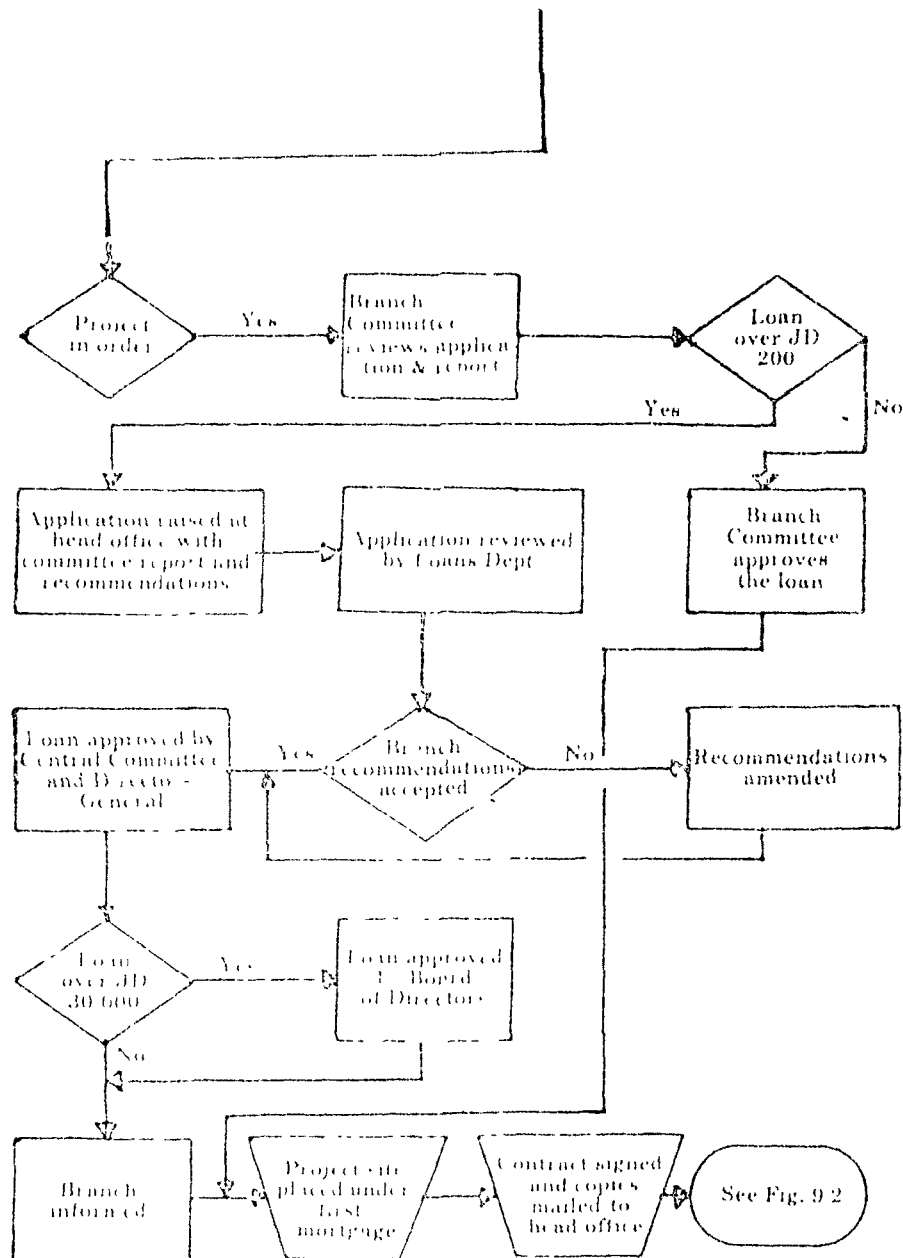
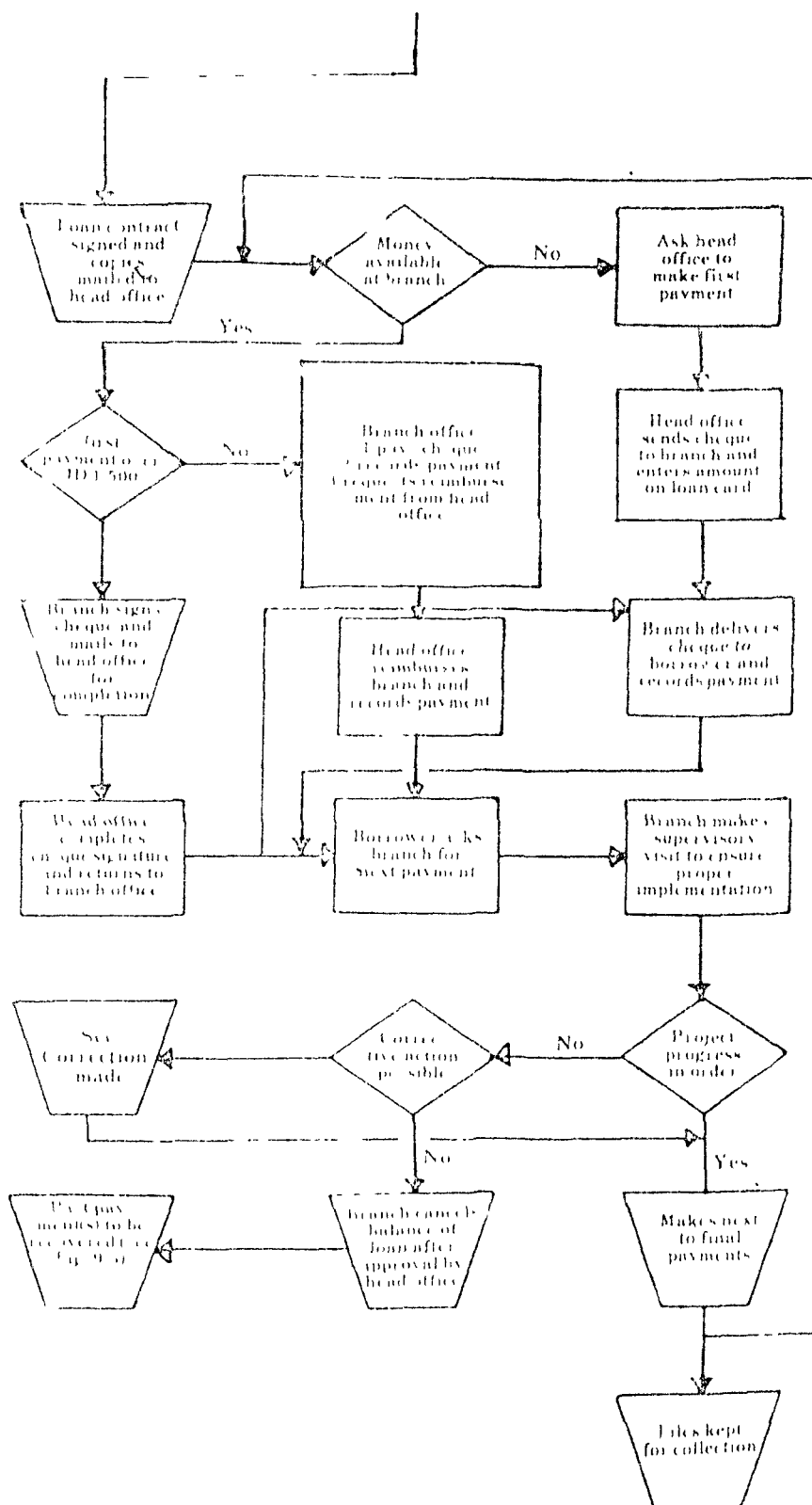


Figure 3.5: Agricultural Credit Corporation: Payment of Loans



Jordan Cooperative Organisation (JCO):

The Agricultural Credit Corporation takes care of individual credit requirements. The State Policy to promote cooperative farming system is not carried out by ACC. The Jordan Cooperative Organisation specialises in financing cooperation and cooperative movement. The Jordan Cooperative movement was launched in 1952. The process of cooperative organisation has its origin in the law of cooperatives which was passed in 1952. It paved the way for the revaluation and growth of cooperatives. JCO was established in 1968 as an apex institution to deal with the problems of evolution and expansion of the cooperative movement in all types of economic activities in Jordanian society. The JCO has been assigned the responsibility of providing all the necessary facilities for the promotion of the cooperative movement. It extends loans and advances to cooperative societies and provides administrative support to them. The JCO has brought in its fold cooperatives of four types - credit cooperatives, housing cooperatives, marketing cooperatives and the multi-purpose cooperatives. The rural and agricultural cooperatives constitute the major segment of the areas of operation of the JCO.

There are numerous types of cooperative societies ranging from Agricultural Cooperatives which supply credits

and mobilise savings. The cooperative societies also undertake production, marketing, processing etc. Similarly the non-agricultural societies have been established in Jordan for housing, consumption, credit and saving and multi-purpose, vocational transport and others. However the Agricultural Societies constituted a measure chunk of the total number of cooperative societies, there were 169 societies with a membership of 16052 out of 389 societies with a membership of 39311 in 1981. The agricultural cooperative societies constituted about 44% of the total number of cooperatives and 41% of the total membership. The cooperative societies are credited with JD 4m. of loans for agricultural purposes out of the total of JD 4.68 m, or 85 per cent. Most of the loans have been provided by the Jordanian Cooperative Organisation to cooperative societies for agricultural operations.

Financing of Agriculture by JCO:

The JCO's efforts have not brought about significant increase in the number of cooperative societies and membership. The number of cooperatives increased from 335 in 1961 to 389 in the East bank in 1981. During the same period membership went up from 21,103 members to 39,311. The

members of the Jordan Cooperative Societies have been increased to 44637 members upto end of 1989. It reflected a slow base on the growth of cooperatives in Jordan. The process of dissolution and merger was carried out during this period to weed out the weak and economical non-viable societies. It accounts for the fall in the number of societies and the number of the member. The balance sheet of JCO for 1981-82 shows increase in the total assets of the JCO from JD 0.59 m in 1961 to JD 1.47 m. in 1971 and to JD 18.5 m. in 1981. The steep increase in the assets has taken place during the decade 1971 to 1981. This is the result of extensive credits provided by the JCO to cooperative societies for agricultural purposes. In 1982 the total assets amounted to JD. 23 m.

The main objective of the JCO is to ameliorate condition of farmers in particular and that of other members of the community in general. It is assumed that improvement in economic condition of the members of cooperative society would accelerate the pace of economic development in the country. To attain this objectives the JCO performs certain functions which are as follows:

1. The JCO functions as a centre of information and services to the public, helpful for organising and registration of the cooperative societies.

2. The existing cooperative societies and their members receive the benefits of information and technical assistance for management, proper accounting and auditing.

3. The JCO sponsors the cooperative courses through the cooperative institute for the promotion of cooperative movement in Jordan.

4. The JCO has set up the bank of cooperatives to provide loans and banking services to the cooperative societies at concessional rate of interest.

5. The JCO undertakes to supply raw materials to cooperatives engaged in production and processing. It also looks after the marketing problems of these cooperatives. These services are provided by JCO at low cost.

6. The JCO functions as an apex coordinating body between cooperatives and other allied agencies both at Jordan and abroad. This function assumes a great significance with JCO being the sole representative of cooperative movement of Jordan.

In financing agricultural activities, the credit agencies, viz., ACC the JCO and cooperatives are obliged to promote the national objectives of making the country self

sufficient in food. The ACC and the JCO do not pursue profit as the main objective. They finance agriculture for producing enough food for the country. However these agencies should raise sufficient income to meet administrative cost from the lending and investment. The government provide funds to JCO for the provision of concessional loans to farmers besides contribution to its capital.

The head office of the JCO is located in Amman. It has eleven cooperative directorates spread all over the east bank of the kingdom. The JCO's head office entertains application direct from the farmers and also through the directorates operating in different parts of the country. JCO had staff of 306 members in 1981. The staff members have been assigned the duties and functions of each directorate necessary for the provision of the credit and its utilization. The efficiency of the functioning of the JCO is expected to improve with computers pressed into service recently. The information is processed by computers for quick disposal of loan application.

The JCO has been given a place, of significance in the implementation of certain projects under 1981-85 five year plan and 1986-1990. For instance JCO is entrusted with the

supply of farm machinery and improved varieties of seeds to cooperatives in rainfed areas. It is also to assume the function of developing the grazing areas for cattle and promotion of consumer cooperatives to serve as the channel of marketing agricultural products. The JCO has succeeded in organising cooperative marketing centres in Amman, Zarga, Irbed and other towns. At these centres the food stuffs and other agriculture products are sold at fixed prices, much below the market prices.

The cooperative and their members are assessed by the JCO in the procurement of inputs. The cooperatives do not have to bother about marketing outputs. The JCO has special departments to look after problems of supplies of inputs to cooperatives and the marketing of outputs. In other words the JCO promotes the interest of cooperatives fully. For instance the JCO established the bank of cooperatives in 1977. The bank extends banking services to cooperatives in the rural areas and in other parts of the country. The head office of the cooperative bank is located in the building of the JCO head office Amman. Its two branch offices are located in the Jordan valley. The number of the branches has to increase in the future for extensive banking services to cooperatives. The JCO also conducts educational services at

the cooperative institutes. The main purpose of the education programme is the promotion of the cooperative movement in the country. The programmes are designed to create awareness among masses about benefits of cooperatives. It is expected that the activities of the JCO will be conducive to agricultural development. The main areas of concentrated efforts of the JCO comprise the rural sector for the propagation of cooperative movement in Jordan. Among the beneficiaries of JCO services are the farmers. The JCO is the specialised agency in the country for total support for the cooperatives and their members in general and to farmers in particular. It is committed to fulfilment of national objectives of acceleration agricultural developments.

The functions of JCO have the origin in the law of cooperatives No.20 of 1971 and the by-laws. The law confers autonomy on the JCO in respects of administration and finances. It enjoys full exemption from taxes, custom duties, and other fees. The preferential of JCO under the fiscal laws goes a long way to make the financial position strong of JCO.

The JCO has the Board of Directors representing the National Planning Commission (NPC) and the Central Bank of Jordan (CBJ). The cooperative societies nominate 8 members

on the Board of JCO. The director general of the JCO is the Chairman of the Board. The Chairman is responsible for the organisation and management besides implementing policies of the Board. The General Assembly is the higher authority of JCO. It comprises one representative of each registered society in the kingdom. The Chairman of the General Assembly is the Director General of the JCO. The Director General is appointed by the Council of Ministers. In his absence, the Deputy Director General functions as Chairman of the General Assembly.

Besides, the JCO department of cooperation and projects performs two main functions of great importance to cooperatives. This department is responsible for sponsoring the projects for the development of agriculture through cooperatives. Similarly the commercial department is exclusively responsible for the marketing of agricultural outputs. The bank of cooperatives is another department in JCO to look after the banking services to cooperative societies. The JCO established the supply division to ensure adequate supply of agricultural inputs to cooperative societies and their members. This division is responsible for the distribution of inputs in adequate amount at the right time and at fair prices. It is worth noting that this

division sales inputs to farmers both for cash and on credit without interest. The division supply the inputs and the bank of cooperative caters to the credit requirements. All the loans are distributed by JCO to the bank of cooperatives. The bank of cooperatives not only functions as the organ of the JCO for supply credit to cooperative societies but also for banking operations in rural areas. The bank of cooperatives capital is JD 5 million. The Board of Directors formulate the policies of the bank and regulates its functions. The bank is completely controlled by the JCO. All the directors of Jordan Cooperative Bank are appointed by the JCO. The director General of the JCO has full powers to control and supervise the functioning of the bank. However the Director General of the JCO does not interfere with the normal functioning of the bank. Supervision and coordination are the responsibility of the director of the bank. The director of the bank is appointed by the Board. The bank has several divisions, viz. administrative divisions, banking and loans divisions, etc. The JCO functions in close coordination with other government agencies to implement the National Development Plans for that reason the Board of the JCO consists of the various agencies, viz., the Ministry of Agriculture, National Planning Commission etc. JCO issues referrals to borrowers for licenses from government in case of the projects which can't

be carried out without government approval. However JCO is not the subordinate body to any other government agency, though it may have cooperation and coordination with them.

The JCO's loans are mainly provided to the cooperative societies and their member farmers. However the loans may be provided to non members under exceptional conditions. The loans are not provided to those members who have been defaulters. It is necessary for the eligible members to submit their loan application together with the approval of their societies. The cooperatives operate an account at the bank of cooperatives. The amount of the loans is issued to borrowers out of the bank account. The JCO supervises the utilization of loans by members of the cooperative societies. Therefore the cooperative society submits periodical reports to the JCO given an account of the projects financed by JCO. A registered society must have a minimum of ten members. It is necessary for the cooperative society to subscribe to two shares of the JCO at the time of registration. Subsequently they must purchase at least one share of the JCO annually. These conditions of the registration of cooperatives as members of the JCO aims at the growth of the capital from subscription by members. The loans can be obtained by cooperatives only when at least ten fully paid shares of JD

100 are held by them. The law specifies that a society can not obtain loan exceeding 5 per cent of the JCO's capital and reserves. The safety is one of the determinant of the size of loans to a society. The authorized capital of the society and the guarantees are the overall limits of the loans to be sanctions by the JCO. The society has to furnish a letter of guarantee of its administrative committee together with the authority letter signed by the society members for obtaining loans on their behalf. In other words the power to conclude financial transaction are delegated by the society members to its officials. In case of large sums of loans the JCO secures first charge on immovable property of the society in addition to guarantee. The terms and conditions are primarily contained in the loan document. The loan contract is binding both on the JCO and the society. These terms and conditions can be enforced without reference to the court of law. The recovery of the loan is covered by especial law which is applicable to loans add to the government.

The JCO has a system of its own to collect necessary information about the financial position of each cooperative society in Jordan. The information is used by JCO to ascertain the credit worthiness of borrowing cooperative society. It issues instructions for the strengthness of

financial possession. It insists to cooperative societies to observe norms of financial prudence, viz. the equity ratio, the ratio of fixed assets to liabilities, the ratio of current assets to current liabilities, etc. The farmers are not allowed to submit their application direct to the JCO. The applications are submitted to cooperative society in the area. The applications of farmer are examined by the management of the cooperative society in the light of the knowledge they have about the credit requirements of each farmers. The JCO considers recommendation by cooperative management for loans to farmers as sufficient proof of characters, capacity, capital and integrity of the borrowers. However the JCO may appoint an official for inspection of the farm for first hand-information. The JCO is very careful about effective utilization of the loan. Therefore the loans are disbursed according to the progress of the project. The information about the progress is monitored through subsequent visits by the JCO officials for factual information about the utilization of loan in financing the projects. The JCO keeps complete information about the credit supplies by other institutions. Therefore the JCO, in a bid to avoid loss of capital, insists on guarantee as a significant condition for loans. The farmers can't obtain the

loan from the JCO if guarantees are not furnished together within the loan application.

The sources of funds of the JCO consist of subscriptions of member societies and the funds from the government. The internal sources of funds include its capital, reserves and the retain earnings. It is also allowed to raise loans in the money market and accept deposits of the money from public. The long-term loans and those provided by central bank and treasury account for 51% of the total funds. The current liabilities in the form of deposits constituted 32% in 1981. The capital and reserves were 17% of the total funds.¹ The current expenditure of the JCO are partly met by the government. The advances by the CBJ are limited to JD 6 million. The loan from CBJ are repayable in 5 years. The Central Bank charges interest 3.5 per cent per annum. It constitutes a restraint on JCO on its liberal credit policy. It has to make special arrangement for the CBJ's loans together with interest within a time limit. It often raises long-term loans for the re-payment of loans of CBJ. It is the serious problem in the debt, management converting CBJ's

1. Michael P. Mazur Wistive Press Inc. U.S.A. 1979.
pp.306-7.

loans into external loan. It involves extra cost of loan because the rate of interest charged by the CBJ is less than debt payable on external loans. The deficit arising from external financing is partly met by the government. It undermined the growth of capital and reserves which serves as the basis of the credit of super structure. The JCO is further inhibited by the condition of approval and guarantee of the government for external loans. This is the essential pre-condition for confidence to investors for investment in JCO's securities. They regard the security quite liquid and safe because of the guarantee of the government. They do not apprehend risks of depreciation in the market values of the security of the JCO. There are always convertible back into cash at par. The government maintains stable values of the JCO's security by paying them when their values tend to fall. The CBJ perform these functions on behalf of the government. Recently there has been significant growth in the volume of deposits and current accounts as a source of funds. The JCO should make endeavour to popularise fixed deposits. It will serve the useful purpose of making the supply of the money with demand on the one hand and providing JCO with funds for financing credit needs of the farmers on the other. The current account balances do not serve these objectives. The bank of cooperative perform the banking function including

the mobilisation of savings. The cooperative societies avail of these facilities. These societies which maintain these accounts at the Bank are eligible for loans from JCO. In other words the bank of cooperatives has developed a sort of complacency because of compulsion on cooperative societies to maintain a bank account as a bank of cooperative. Therefore the Bank is not making efforts to launch other schemes for mobilising savings at an accelerated rate. It goes to the benefit of JCO to attract larger number of cooperative societies. It is necessary for each cooperative society to pay at least two shares of the JCO at the time of registration and subsequently one share each year. The JCO also provides for the minimum number of members of cooperative societies. The cooperative society can not be registered until it has a minimum of ten members.

It is also a strong incentive to cooperative societies to increase the number of members. The amount of loans to each cooperative societies is also determine by the number of members. Further the cooperative society can't make use of the loans facilities from JCO without fulfilling the condition of subscription of ten full shares. In other words the cooperative societies must have contributed sufficiently to the capital of the JCO before applying for loans. The

value of each share of JCO is JD 100. In this way each cooperative society makes contribution of JD 1000 in phases for loans. The limited amount of funds as a disposal of JCO has necessitated rationing of funds. The Act specifies that JCO should not sanction loans to any society in excess of 5 per cent of the capital and reserves. This is the over all limit on the amount of the loans to any society. It also underlines the need to increase the amount of capital and reserves for additional loans.

The JCO is providing three types of loans - the short term loans to meet the current requirements, the medium and long term loans for capital formation. The short term loans range from one to 14 months the medium term loans are provided for a period from two to seven years and those beyond seven years are the long term loans. The JCO has certain projects for these different types of loan. For instance the seasonal loans are extended for the purchase of seeds. The medium term loans are meant for financing projects such as trees, dairies, improvements of land etc. The long term loans are available for financing irrigation project, purchase of farm machine and agro-industrial projects. The olive oil presses, dairy products plans and similar projects are eligible for long term loans. The long term loans are

granted only to cooperative societies. However the Director General of the JCO has the powers to extend the long term loans to individual borrower. The societies and these members suffer from the limitation provision in regard to loans for repayment of dues. No further loans are sanctioned before the settlement of previous loans. It is necessary for the JCO to conduct the feasibility study before taking a decision on loans application. The study is conducted by the bank of cooperatives. The small loans constitute a major part of total loans and advances. The finance committee takes the lending decision within the overall limits set by the Board of Directors for each society.

The JCO ascertain credit worthiness of borrowers on the basis of the performance. It includes the punctuality in the repayment of interest and repayment of loans. The default disqualifies an applicant for fresh loans. The farmers are motivated by the Cooperative Directorates to establish cooperative societies. Publicity is carried out over TV and Radio to convince the farmers of the benefits of cooperatives in Jordan.

The rate of interest is crucial in the whole process of lending by JCO. The farmers calculate their gains on the basis on the cost of loan. The Board of Directors decides the

rate of interest on loans to farmers. The structure of the loan is tilted in favour of the medium terms and the longer terms loans. For instance 6% of interest is charged on long term loans, 7% on medium term in irrigated areas and 8% on seasonal loans. It means that JCO is deliberately encouraging capital formation with borrowings. The borrowers are allowed refund of one per cent for payment of dues on or before due dates. The CBJ determines the interest rates on deposits. Two per cent of interest is payable on demand deposits on that of 6% - 7.5% of term deposits. Payment of interest on demand deposit is in contravention of the banking practices in other less developed countries. In India the interest is charged by banks on demand deposits for extending to business form the banking facilities.

The JCO takes a lenient view in scheduling the repayment. The loans committee takes decision of the method of repayments. The recovery is basically is linked to cost inflows from the project so that the borrower is not financial wars of by repaying loans. However stringent action is taken in case of defaults in payment of interest and repayment of loans. This includes even the public sale or mortgaged property. The JCO collects information from the credit department about the borrowing cooperative society.

The information is used to determine the financial possession of the cooperative societies from time to time. In case of the financial problems, the JCO resorts to legal action for the compulsory recovery of loans from cooperative societies. If 70% of loans are paid in irrigated areas or 60% on rainfed area, the remaining outstanding loans remain automatically suspended. However it is not clear that the JCO actually waves the outstanding balances for fresh loans.

There is a long procedure which the JCO has set for disbursement. The loan division of JCO at its head office undertakes the disbursement through the bank of cooperatives. The bank of cooperatives is entitled to a commission of 2% for disbursing the loans. The Finance Committee regulates the lending operation of the cooperative bank. It specifies the procedure of payment, repayment and subsequent progress report by means of resolution. The resolution may assign the duties in respect of lending operation and utilization of loans by farmers either to cooperative society or the cooperative directorates or the head office of the JCO. The cheques are signed by two officials of the JCO of the bank. The cooperative societies make repayment of loans to the JCO through the current account at the Bank. The Bank transfers

all the collections to the account of JCO for use in allocation of funds to fresh projects.

Private Agencies' Financing of Agriculture:

The Jordan Valley Farmer's Association (JVFA) is an association of farmers in the Jordan valley for the Agricultural and economic development of the area. By law each farmer has to join the association and pay a subscription fee of JD. 2 and annual membership fee of JD.3. It is an illustration of a private agency with a Board of Directors consisting of the government representatives. The main objective JVFA is to help its members with loans and agricultural inputs in addition to services such as transportation and marketing. The Association's objectives are extended to include the establishment of Agro-industries serving as forward and backward of farm outputs. For instance it can establish plan for production of fertilizers, insecticides, harpisites or for the processing farm outputs. Its objectives also include the activities of fund raising from local and foreign sources with the prior approval of the council of ministers. However it has to function in coordination with other government agencies such as the Ministry of Agriculture, the Agricultural Credit Corporation, the Jordan Cooperative Organisation and the Agricultural

Marketing Organisation. The Jordan Valley Authority frequently coordinates its activities with national economic plans. The machines are purchased by JVFA at competitive prices like viz., its supplies its farms output at competitive prices. Since the Association is the non-profit making body, its income is not subject to any tax, fees and duties.

The total membership of JVFA was 4563 in 1982. The area served by the Association is divided into 32 zones. There are 200 farmers with 8,000 dunom of farming land in each area. These area have seven branch offices. The head office of the Association is located at Deiralla in the Valley - Amman has the Liasion Office of the association. The Jordan valley is advance in farming techniques. It has canals for permanent irrigation, semi-tropical climate. The valley is the ideal area for mechanise farming. Therefore the government is sponsoring projects for intensive cultivation in the area. It has special place in the economic development plans of Jordan. The sole purpose of JVFA is to provide services at low cost to the farmers.

The Law No. 19 of 1974 has brought the JVFA into existence. By the law it is an independent statutory body. The

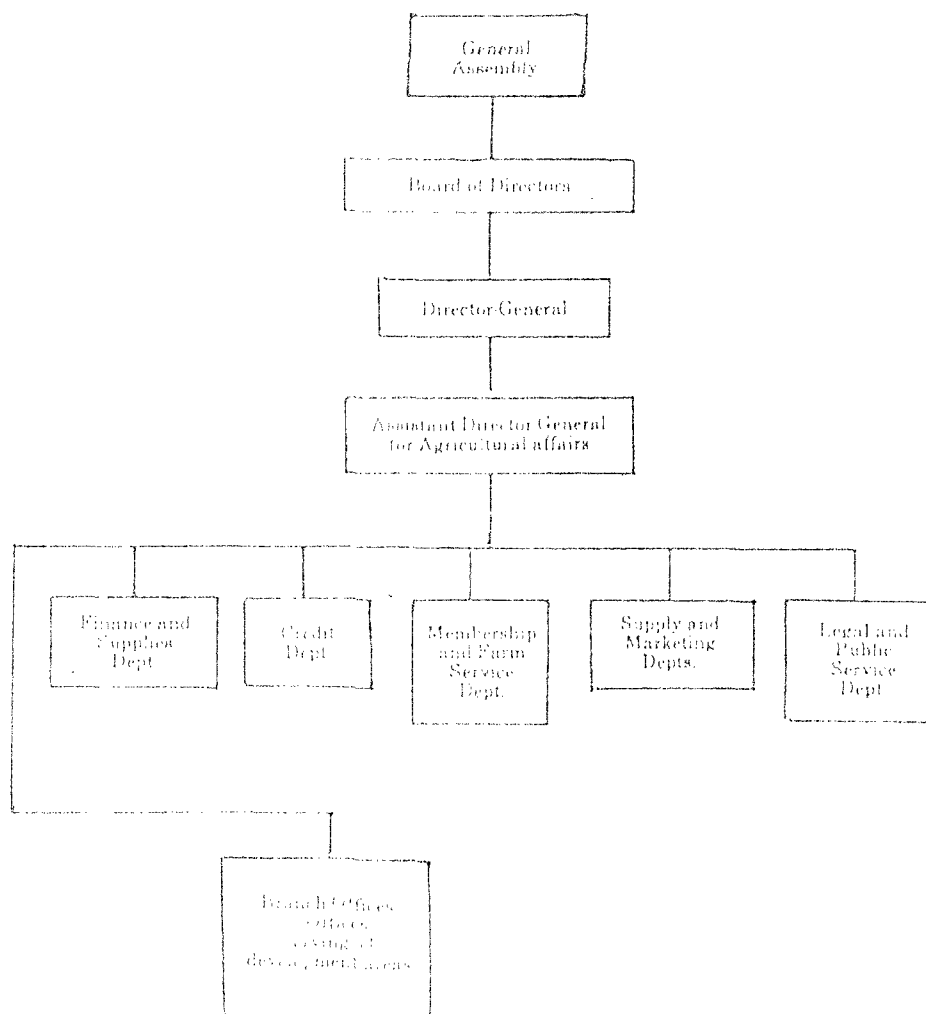
law requires the association to function under the direction of the government. The government undertakes to finance its operations. Therefore the JFVA, inspite of being a private agency, is indeed a public credit institution.

The JVFA draws its strength from the members. The member farmers are known as the General Assembly of the area. The member farmers elect their representatives for a council. The member farmers are divided into groups of fifteen members to elect one member for the council. The council is in fact the executive body of the Association. It manages the affairs of the Association of the area. The JVFA comprises 33 General Assemblies. Directors from outside the assembly are also associated with the Board of Directors of the JVFA. There are 10 members on the Board of Directors from outside elected by the General Assembly. Besides 10 elected members, the government agencies are also represented on the Board. The Chairman is elected by the Board. He is all time executive. He is concerned with the recommendation of the policies of the assemblies. He has the power to sign the contracts on behalf of the Association. The Chairman is assisted by the Director General who is appointed by the Board. He assists the Chairman in the execution of the policies. However the line of cultivating and responsibility

but's him at bar with the Chairman. He is accountable to the Board of Directors for his performance. The Board delegates executive powers to the Director General. The Director General looks after several departments and branches. The different departments and branches are managed by the departmental heads and the branch managers. The departmental heads and branch managers function under the direction of the director general. The organisational structure of JVFA will be clear from the following chart.

JVFA is recognised by the law as a legal entity. It enjoys autonomy in its day to day functioning. The policies of the JVFA have to conform to government policies and agencies. It is not free to formulate the rules and procedures without approval of the JVA. Any by-laws passed by JVFA are referred to JVA for approval. The JVFA has to carry out the objectives included in the national economic development plan and programmes of the financial requirements of the projects to be implemented by it. The size of the loans is not limited by the government. However its efforts to raise the funds are effected by the condition of the capital market. The supply of funds to JVFA is the main limitation on loans. However there is no provision in the Act

Figure 3.6: Jordan Valley Farmers' Association: Organisational Structure.



of the JVFA giving powers of legal action against defaulters. It creates problem for JVFA in the collection of dues from farmers. The funds tied up in overdues reduce the funds for application to further projects, supply of loans and credit. The JVFA is under financial strains because of mounting overdues specially when it has to repay its own loans.

The JVFA has intimate information about individual members through the area General Assembly. It has complete information about agricultural activities of individual members. The information is preserved in files for each member by special department, the membership and Farm Service Department. The JVFA does not have information about the total indebtedness including credit from other sources. It does not cause serious problem together necessary information about the total indebtedness because of close contacts with members farmers. Therefore JVFA is able to carry out the lending programmes successfully. The membership record contains the personal information about the member farmers, families, farmers, and the information relevant to credit requirements.

The sources of capital include the authorised capital, the borrowings, the donations, the contribution by the government and fees. The law does not specify the authorised capital. It is allowed to raise funds from any source. In the

beginning the Association received funds from the government; the FAO, USAID. In 1981 10% of capital was held as reserves. In absolute terms, it was JD 28,000. The working capital requirement of JVFA is fulfilled with loans. The government largely meets the administrative expensive (overhead expensive association). The government provided JVFA a medium term loan of JD 576,000 in 1979-1980. This loan was free of interest repayable in 6 years. Association required loan of JD one million from ACC at 5% interest. The Association received long terms loans of JD 450,000 at 2% interest for the first 10 years and 3% for the final 20 years. However it is difficult to calculate the average cost of loans which the Association received from different agencies. It seems that the loans from USAID are the cheapest with the exception of the government which does not charge any interest.

The JVFA is financing the current credit requirement for the member farmers. The seasonal credits are provided for the purchase of seeds, payment of cost of the farm machines and similar activities necessary to boost the farm productivity. The credit by the Association are generally limited to short term loans not exceeding one year. However the loans may be approved by the Board of Directors for other projects as well. The Board has the power to make a

departure from the normal lending practice. The Association does not provide loans to non-members. The competent farmers usually get the benefit of cheap credit from the Association. The farmer should be registered as a member of Association. They should have paid fully the subscription fee and the outstanding loans. The person should be either the farmer, the tenant, or the lease holder. The cooperative societies are also eligible for loans from the association, provided the loans are not due by them.

The rate of interest is determined by the Board of Directors. It is realised as service charges or service fees. It charges 7 per cent of interest on loans. The amount of the interest is collected together with the principle amount on the due date. The defaulters have to pay an additional fee of 1% on loans due remaining unpaid on maturity. In case of material supplies to farmers, additional margin is added to the cost. The sum is treated as a loan. It is collected like cash loans on due days. The Board of Directors specifies the terms and conditions of loans in the resolution of granting loans. The due dates are matched with the income from harvesting time. The Association has surplus funds during the period of recovery. The Association takes recourse of law to get its claims as creditors enforced in

case of defaulters. The court may order the sale of property including the standing crops. The sale proceeds are appropriated by the Association in statement of loan account. The legal action is taken by the JVFA as the last resort. To avoid hardships to farmers as a result of legal action, the Association does not favour litigations. It seeks the assistance of JVA to help the farmers in the matter of repayment of loans due. Even the legal cases are withdrawn by the Association if settlement is possible.

The Association does not function like a financial institution which also accepts deposit from the public. The Association only performs lending operations with the capital consisting of subscription fee, the subsidies from the government, loans and donation from other agencies. Jordan Valley has branches of a number of Banks. There is competition among banks. It is due to this fact that the JVFA has not succeeded to make an attempt for deposit from the public. The Association is not in a position to offer rate of interest on deposits comparable with the commercial banks because of low rates of interest on loans it supplies to farmers.

The member farmer is intimated about the approval of loan. He is required to contact the Credit Department at the

head office for signing the credit contract. The Finance Department undertakes disbursement of loans. The loan is released into equal instalment. The first instalment is paid soon after the assignment of the contract. The last and final instalment is based on a reports by the supervisory staff of the Credit Department. The Credit Department gives its approval for the payment of the remaining instalment if it satisfies with the progress of work. The Supply and Marketing Department manages supplies of inputs on the bases of the request from the Credit Department. The Credit Department furnishes the necessary details about the amount of inputs and the credit values. The JVFA has the warehouses in the development area. For inputs to be supplied to farmers against payment vouchers from the supply department. The Credit Department and the Finance Department both receive copies of the received copies of receipt from the Warehouse Officer duly sign by the borrowers. The receipt and the vouchers are the basic documents of the loan. The Finance Department of the JVFA makes direct allocation of the funds for input requirements. The funds are allocated in the light of the policy of the Association which normally allots 50% of the total amount of each loan. The diversion of funds by borrowers, misuse or the cancellation of membership for any

repayment is followed by recovery of the loan at once. Such borrowers are subjected to the delinquency charges (penalty charges). It acts as strong deterrent against diversion of funds and their misused. It creates a sense of responsibilities and accountability among borrowers.

The borrowers are free to apply for the loan at either the head office or branch office or the collector on the field. It is much more convenient to repay the loans. A receipt is made out for payments. It indicates the name of borrower, the branch office receiving the payment and the date of payment. The Finance Department deposit the amount collected at the Bank. Proper accounting of each loan is maintained at the Finance Department. One month advance notice is issued by the Finance Department to make it convenient for the borrower to repay the loans on due dates. The JVFA collectors deliver the notices to branch offices. A list of the borrowers, loans and the amounts due are also furnished to the marketing department. However the Board of Directors may extended the period of recovery under exceptional circumstances.

The Jordan valley has made substantial progress in agriculture. A number of agencies are coordinating and cooperating the activities with the individual farmers in the

area. However the Agricultural Credit is not fully met. Therefore the farmers have to depend on other sources. The loans from traditional sources are quite expensive. There have been instances of loans for non productive purposes and lapses in recovery of dues. All the projects do not receive equal attention of the specialised agencies in allocation of funds. Therefore the important Agricultural activities suffer. There would be much improvement in the efficiency of employees if attractive salaries and the opportunity of promotion are available. There should also be a change in the functioning of the Agricultural Credit Agencies. They should perform functions like other banking institution. It is also necessary to re-constitute the Board of Directors with members having banking experience and background. The lending operations of credit agencies suffer from lack of coordination. They hardly can obtain information about the total indebtedness of these borrowers. It is an important elements in the determination of credit worthiness of the borrower.

information should be accessible. It requires coordination among them. At present borrower is able to obtain credit from a number of agencies for the same purpose. There are several ways to forge coordination. The possibility

of consolidation and merger should also be considered to make the functioning of Agricultural Credit Agencies effective. The interest rate structure does not conform to the market rates. It constitutes a drain on the resources of these agencies. There is every justification to strengthen the financial position by revising upward the interest rates. If steps are not taken to expedite change in the structure of interest rates, the credit agencies will not have sufficient resources to finance the agricultural activities. There is lack of coordination between the agricultural agencies and marketing agencies. Therefore the marketing activities are starved of funds without financial support to marketing activities the farmers can hardly profit from the development plans and programmes. It is therefore necessary to have close cooperation and coordination between agricultural agencies and the marketing agencies to handle the distribution the agricultural Products in the market at remunerated prices.

Private agricultural credit system has its deep roots in money-lending operations. Besides the specialised credit agencies established by the government, there are the commercial banks, the money lenders, the traders, the landlords, the middlemen, and the private individuals for credit to farmers. In contrast with the government agencies,

their operations are not governed by any law. They provide credit on the basis of personal relations. These private organisations undertake the lending and investment activities with the sole objective of profit. It is difficult to establish the magnitude of agriculture credit, it is commonly believed that the credit provided by these is quite substantial. The difference in the cost of loans from specialised agencies and the non-official sources is quite big. The interest charge by non-official credit agencies is by far more than the interest charged by specialised agencies. It may therefore be inferred that only those farmers who do not have any access to the institutional credit largely avail of the non-official credit. It is also likely that the private credit is obtained for projects falling outside the purview of the specialised agencies. Sometimes the credit is obtained from private money lenders for on production purposes which the specialised agencies do not approve.

Commercial banks are fast expanding in Jordan. During the decade 1974 mid 1983, the capital increased from JD 5.6 m to JD 81 m. The reserves increased from JD 3.9 m. to JD 52 m. Likewise there has been phenomenal growth in deposits from JD 112 m to JD 1288 m. The commercial bank in Jordan supplied substantial agricultural credit at an accelerated rate. The

outstanding agriculture loans increased from JD 16 m 1974 to JD 28 m in mid 1983. The success of commercial banks in mobilising deposits and standing agricultural loans has been due to large expansion in these branches. There were 9 banks and 37 branches in 1968. The number of banks increased to 19 having 169 branches in 1982. The outstanding agriculture loans are far more than the credit supplied by both the ACC and JCO. It reveals the significance of the commercial bank in agricultural financing. However it may be visualised that commercial banks have been supplying agricultural credit for purposes falling outside the scope of specialised agencies. The merchant engaged in foreign trade of agricultural inputs and outputs are the biggest beneficiaries of the credit facilities from commercial banks. By nature of the deposits the commercial banks are unlikely to supply any loan other than the short terms credit. They issue letters of credit for importers and exporters. They also sanctions overdraft limits subject to review annually or bi-annually. The recovery of loan by commercial banks is strict. They are prompt to initiate legal action against the defaulters. Unlike farmers, the private business houses handling the distribution of farm inputs and selling farm

equipments and machines usually avail of bank credit at high cost. The cost of loan is not heavy for them because of high profitability. The specialised agencies do not provide loans for farm machines in one payment. Therefore the companies prefer to sale to the farmers the farm machinery and equipment through commercial banks. They are willing to sale on credit and accept payment by instalments rather than sale through the specialised agencies. The bank credit is not available for medium and long-term credit requirements. The Central Bank of Jordan has been issuing moral suasion to commercial banks to participate in medium term and long term for agriculture financing at reasonable rates of interest. The CBJ should prefer to initiate steps more vigorously for the commercial banks to change their lending practices and began to supply funds for capital formation in agricultural sector on long term basis. The another factor inhibiting the commercial banks is the risk involved in financing agriculture on long term basis. Marketing channels should be developed to ensure a fair price for agricultural outputs. The crop insurance scheme will go a long way in improving the confidence of commercial banks in the credit worthiness of farmers.

The farmers face a great deal of inconvenience in obtaining the credit from specialised agencies. For instance they have to travel long distance to get the loan sanctioned. Besides it takes a long time to get the loan sanctioned because of the red tapism. The religious sentiments are the additional factors responsible for less popularity of loans from specialised agency on payment of interest. The payment of interest is prohibited in Islam therefore farmers neither turn to specialised agencies nor to commercial banks for loans. They prefer to get loans from the suppliers of inputs, the merchandises, the landlords, friends and relatives. The specialised agencies assistance on guarantee and security add to the problems of the farmers. A large number of farms are not able to fulfil these requirements. Therefore they are not eligible to get loans from the specialised agencies even for production purposes. The procedure of granting loans also does not suit the conversion of the farmers. The suppliers and other private credit suppliers already have personal knowledge of the borrowing farmers. The credit is provided by them without further query or without imposing procedure rules and regulations. The suppliers are interested in permanent relationship with the farmer customers. They encourage the farmers by making cash loans. The business of

private lender in Jordan is highly competitive. Lending is not their main business. It is combined with trading and they operate in market places. The method of recovery of loan is quite simple. However they apply moral pressure on the defaulters and even file a suit in the court of law to get the claim enforced.

The traders handling the procurement of agricultural outputs for exports to other countries are the willing suppliers of agricultural credit. The loan is provided by them to finance seasonal operation on the basis of the farmers' commitment to sale agricultural product to them at the market prices. In this way the relationship between the purchaser of outputs and the farmers tend to become permanent. This relationship is based on mutual benefits. The merchants are sure of the supplies of agriculture outputs and the farmers of the funds to finance their consumption needs during off season, the specialised agencies do not supply any credit for consumption purposes. The purchasers of output do not charge any interest on credit to farmers. The profit they make is the retain they anticipate. They supply farm inputs on credit as well. These inputs ensure good quality of agriculture outputs which the farmers sale at normal prices to them. The lending by purchaser of output is

based on personal relationship with farmers, past experience and intimate knowledge and financial strength of the farmer.

The credit is supplied by landlords to share croppers. This is by way of assistance to them for better farm production. The share croppers are not eligible for loans from specialised agencies. Therefore the landlords obtained credit from specialised agencies by providing securities and guarantees. The credit for consumption purposes is provided by landlords from personal sources. The personal relations with share croppers are important. The credit is collected by the landlords during harvesting period. The collection is postponed during bad seasons. However land lords keep the credit supply to share croppers to the minimum. The middle man are also known for lending farmers to meet the operational expenses and the consumption needs. The credit is provided by the middlemen to oblige farmers to sale their products through them. The middleman received commission for selling their products. The middleman tries to maintain good relation with them and he acts in their interests. The middleman recover credit from the sale proceeds of the agricultural produce. However the middleman exploits the

farmers by over pricing the inputs and under pricing the outputs purchased to discharge the loans.

Families' sources of credit are limited to close relations. The families assist their relatives who are not owners of the land with loan from other sources against the security of their own land. These loans may be obtained by individual member of the family or by several members jointly if institutional loan is not possible, they provide the funds from their own sources. Normally the family loans are free of interest.

Money-lenders are not very significant in agricultural credit system in Jordan. They have been dislodged by specialised credit agencies in the government, commercial banks and others. The farmers use to depend on credit at excessively high rate of interest when there was no other agency to provide credit to them.

In brief, the institutional agricultural credit is the important source of funds to farmers. The non-official sources of credit, other than the commercial banks provide insignificant part of the total credit.

It can be summarised that the agricultural credit system in Jordan is not adequately developed. In the Jordan

credit is only supplied by specialised credit institutions, not by commercial banks, in contrast with dry land areas. According to a sample survey, half of the credit is supplied by private sources. The survey also indicates that the credit in Jordan responsible for the recent growth of credit agencies in the country. It is necessary to encourage capital formation in the agricultural sector. The limited use of modern inputs also account for the low demand for credit. The projects, such as the development of terraces, the development of means of irrigation, etc. are expected to increase the demand for credit. These projects have not made satisfactory progress because of financial bottle-necks. The credit system should, in the development plans, constitute an integral part of the development package.

Of all the specialised agencies, the ACC plays the leading role in the provision of agricultural credit. The recovery of loans, however, is rigid due to strict laws, rules and regulations. The insistence on security and guarantee is counter-productive of the objectives of agricultural development. All those who are unable to furnish the security and guarantee depend on traders, landlords, and the money lenders. The policy of the ACC to recover loans

also needs modification. It pursues soft recovery policy, due to which the arrears are mounting. The loans from the specialised agencies are cheaper than those provided by the money lenders and the merchants. For instance, ACC realises 6 per cent interest on medium and long-term loans as against 20-30 per cent charged by the money-lenders and the merchants. It is desirable that the specialised agencies should increase the rates of interest. The low rate of interest and liberal recovery policy of the ACC has reduced its ability to fulfil the demand for credit.

The small farmers do not have access to ACC, because of the condition, to provide security, guarantee and pay the subscription fee. The ACC, inspite of excessive demand for credit, has been unable to reduce the dependence of majority of the farmers on private credit system, including merchants, landlord, middleman, etc. The majority of the farmers dependent on private agencies are those whose landholdings are too small to serve as security. They do not have access to ACC due to criteria determining the credit worthiness. The long delays in sanctioning loans and bureaucratic attitude are also responsible for farmers' turning to other sources of credit. Since ACC's objectives are specified by its laws, rules and regulations, a large number of agricultural

activities are not eligible projects for credit from ACC. The ACC has confined itself mainly to a few projects which play key role in agricultural development, viz. development of land, financing of the purchase of machinery, development of the means of irrigation. This practice is followed in view of narrow capital base which is being eroded by accumulating deficits. It will improve capability of ACC to expand its capital base if interest rates are revised upwards and sufficient funds will be generated to meet credit requirements of small farmer. The ACC will be able to finance the agricultural utility services as well, including transport, warehousing marketing and the agro-based industries. The new technologies can also be applied by small farmers if the credit is available to them. There is every justification to make the institutional credit accessible to the small farmers, hence there is an urgent need for suitable modification in the rules and regulations of specialised public credit agencies.

CHAPTER-IV

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JORDAN COOPERATIVE ORGANISATION

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CHAPTER-IV

JORDAN COOPERATIVE ORGANISATION

In the foregoing chapter, it has been observed that there existed a number of apex financial agencies for the provision of credit to farmers. The financial institutions in the public sector needed reorganisation in the wake of Arab-Israeli War in 1967. The war caused heavy losses to agricultural credit system. The war took heavy toll of one-half of the societies of the Centre of Jordan Cooperative Union, as a result of forcible occupation of the West Bank by Israel in the 1967 War.¹ It resulted in loosing more than 60% of the cooperative societies in the West Bank. The Directors of the Centre of Jordan Cooperative Union took stock of the situation and decided upon the transfer of the societies from the West Bank to the East Bank of Jordan to fortify the Movement. The Act 55 was passed in 1968 to establish the Jordan Cooperative organisation, especially to restructure the Cooperative Movement in Jordan in the post-Arab-Israeli War period.

1. Prof. Samiuddin, Cooperative Movement in the Arab World, p.36, Faculty of Commerce, A.M.U. Aligarh, India, 1982.

Jordan Cooperative organisation is the public sector corporation, with an authorised capital which is divided into unlimited number of shares of JD 10 to be subscribed by the public. It is managed by a board of directors to be elected by the government. At the same time, the Agricultural Cooperative Society was reorganised by amalgamation and the formation of new, bigger units of multi-purpose Agricultural Cooperative intended to render a full spectrum of Agricultural Cooperative Societies.

The Jordan Cooperative Organisation (JCO) was incorporated in 1968 under the Act 55 to invigorate and streamline the cooperative movement. As an apex body, it is vested with wide powers to control and coordinate activities of cooperative institutions.

Organisation of JCO:

The JCO is governed by the 1971 Law of Cooperatives No.26 and ensuing law which regulate its organisational activities. According to the law, the JCO is an independent legal body with administrative and financial autonomy. By virtue of the said law, the JCO is run by a Board of Directors on which the National Planning Council, the

Ministry of Agriculture and the Central Bank of Jordan are represented. The Board also has eight members representing cooperative societies throughout the country. The Chairman of the Board is actually the Director-General of the JCO, who, as chief executive, is fully responsible for the management of the organisation and implementation of the Board's policies. The Director-General is appointed and the terms of his appointment are specified by the Council of Ministers. The highest authority in the JCO is vested by the Law in General Assembly, where each registered society in the Kingdom of Jordan is represented by one member. The Director-General is also the Chairman of the General Assembly. The Board members representing the societies are not elected by the General Assembly but by gatherings held at regional level. The Director-General is assisted by the Deputy Director-General who acts for him in his absence. The work-load of the JCO is distributed between various departments, divisions, branch directors and offices which employed 306 people in 1981, 371 in 1982, 533 in 1987 and 593 in 1988.

The JCO is a complex organisation undertaking multi-faceted operations. It has a number of advisors for expert advice on vital issues. There is a full-fledged auditing

system to supervise and control accounting system in the JCO. It prepares financial reports for the management of the JCO to decide financial problems. It keeps watch on fund-flows. The problems of financing are dealt with by the management in consultation with the Auditor. The Legal assistance is provided by the legal Department headed by the solicitor of repute. The legal department is mainly concerned with the legal documents of mortgage, bonds and loan contracts. It also advises on matters of public disposal of mortgaged property of the defaulters. The JCO is guided by the advice of the legal department in the exercise of its judicial powers. The activities of the JCO to bear relevance to the contemporary problems in all its manifestations seek to have public relations. These activities are carried on by its Public relations Department. The Public Relations Department undertake the publicity of its special schemes to provide assistance to the cooperatives and their members, and provide information to them about the new facilities of interest to them. It also endeavours to interpret the national policies to the people in terms of projects for which the JCO has funds. The JCO's functions are extended to include provision of technical assistance to cooperatives in the completion of projects and construction of buildings. It maintains the

Civil Engineering Department. The Department, besides the routine maintenance and repairing, prepares blue prints of several projects included in the plans for development. Its functions assume overriding significance when housing projects are undertaken in the rural areas where the technical assistance is hard to come by. The JCO renders the services of supervising the construction of houses for which loans have been sanctioned. In addition to the aforesaid departments, the JCO is fully equipped with modern facilities of information processing and preservation. The information system is handled with the help of computers. The loans applications are processed with computers. It takes less time to dispose of applications and sanction the loan. Preserving the records involves less space and time to retrieve information as and when necessary.

The Director-General is assisted by several committees on matters such as general issues, financial problems, commercial policies project evaluation and monitoring and assessment of information. These functions are regulated by policies to attain the objectives identified in consultation with respective committees consisting of persons from various fields and of necessary background.

The policies of the Board are implemented by the departmental heads. There are five departments: (1) Cooperative and Project Department, (2) Finance Department (Bank of Cooperatives), (3) Commercial Department, (4) Administrative Department, and (5) Cooperative Training Centres.

The JCO has adequate staff to undertake the multifarious functions for the development of cooperative movement in the country. A synoptic idea about the strength of the staff is given in the table 12.

The table 12 reveals that, in higher administration, there were three male and one female staff members in 1987. In 1988, the number of the staff engaged in higher administration was reduced to only two male members. Administrative, Financial and Legal Department of the JCO had 62 male and 32 female members in 1987. However, there was decline in the total number of the staff members in the Administrative, Financial and Legal Department had 56 male and 28 female. The Cooperative Department had 8 male and one female staff members in 1987. There was no change in the strength of the staff of the Cooperative Department during 1988, viz., the total number of the employees in this

Table 12

EMPLOYEES OF J.C.O. BY TYPE OF ACTIVITY AND SEX AT END OF
1987 & 1988

YEAR ACTIVITY	1988			1987		
	Total	Female	Male	Total	Female	Male
Higher Administration	2	-	2	4	1	3
Administrative, Financial and Local Department	84	28	56	94	32	62
Cooperative Department	9	1	8	9	1	8
Inspection and Control	11	3	8	11	2	9
Cooperative Institute	16	6	10	18	7	11
Cooperative Bank	91	23	68	93	26	67
Commercial Department	21	3	18	27	3	24
Planning & Projects Dept.	69	3	66	67	3	64
Feed Project	82	8	74	89	6	83
Cooperative Directorates						
- Amman	21	3	18	17	3	14
- Irbid	28	2	26	31	3	28
- Zarqa	14	-	14	16	-	16
- Karak	16	3	13	19	3	16
- Salt	15	1	14	13	1	12
- Ma'an	9	1	8	10	1	9
- Mafraq	11	-	11	13	1	12
- Tafileh	10	1	9	10	1	9
Cooperative Offices						
- Jerash	13	2	11	13	2	11
- Madaba	14	-	14	17	1	16
- North Shouneh	12	1	11	11	1	10
- Dera Atila	13	1	12	13	-	13
- Aqaba	3	1	2	4	1	3
- South Shouneh	8	-	8	11	1	10
Cooperative Centers						
- Chora Al-Shafi	2	-	2	3	-	3
- Qasei	5	1	4	5	1	4
- Ajloun	4	-	4	6	1	5
- Azraq	1	-	1	2	-	2
- Thiban	5	-	5	5	-	5
- South Hajar	4	-	4	4	-	4
Total	593	92	501	635	102	533

Source: Statistical Year Book, JCO Amman-Jordan, 1989.

department was 9. The department of Inspection and Control had eleven employees (9 male and 2 female) in 1987. The composition of the staff changed in so much as it had 8 male and three female employees; the total strength of the staff remained constant. The Cooperative Institute of the JCO had 18 employees (11 male and 7 female) in 1987. In 1988, the number of the employees decline to 16 (10 male and 6 female). The Cooperative Bank had 93 employees (67 male and 26 female) in 1987. In 1988, it was 91 (68 male and 23 female). It reveals decline in the strength of the staff of the cooperative bank. The Commercial Department of the JCO had 27 staff members (24 male and 3 female) in 1987. In 1988, it was 21 (18 male and 3 female). The Planning and Project Department, had 67 employees (64 male and 3 female) in 1987. In 1988, it increased to 69 (66 male and 3 female). The Feed Project Department had 89 employees (83 male 6 female) in 1987. In 1988, it decreased to 82 (74 male and 8 female).

The cooperative directors in Amman were 17 (14 male and 3 female) in 1987. In 1988, it increased to 21 directors (18 male and 3 female). At Irbid, in 1987, the number of the directors was 31 (28 male and 3 female). In 1988, it decreased to 28 (26 male and 2 female). In Zarga, in 1987, there were 16 directors (all male). In 1988, it decreased to

14 (male only). In Karak, in 1987, there were 19 directors (16 male and 3 female). In 1988, it was 16 (13 male and 3 female). In Salt, in 1987, the number of the directors was 13 (12 male and 1 female). In 1988, it increased to 15 directors (14 male and 1 female). In Maan, in 1987, there were 10 directors (9 male and 1 female). In 1988, it decreased to 9 (8 male and 1 female). In Mafrag, there were 13 directors (12 male and 1 female). In 1988, it decreased to 11 (male only). In Tafleh, in 1987, there were 10 directors (9 male and 1 female). In 1988, there was no change in the number of the directors (9 male and 1 female).

The Cooperative offices in Jerash, in 1987, had 13 directors (11 male and 2 female). In 1988, there was no change in the directorship (11 male and 2 female). In Madaba, in 1987, there were 17 directors (16 male and 1 female). In 1988, it declined to 14 directors (male only). In North Shouneh, in 1987, there were 11 directors (10 male and 1 female). In 1988, it decreased to 12 (11 male and 1 female). In Deiralla, in 1987, the directors were 13 in number (only male). In 1988, there was no change in the number of directors (12 male and 1 female). In Aqaba, in 1987, there were 4 directors (3 male and 1 female). In 1988, the number of the directors decreased to 3 (2 male and 1 female). In

Salt Soutch Shounch, in 1987, there were 11 directors (10 male and 1 female). In 1988, it decreased to 8 (male only).

The Cooperative Centres in Ghoure-al-Saffi had, in 1987, 3 directors (male only). In 1988, there decreases in the number of the directors to 2 (male only). In qaser, in 1987, there were 5 directors (4 male and 1 female). In 1988, the number of the directors did not change. In Ajloun, in 1987, there were six directors (5 male and 1 female). In 1988, it decreased to 4 (male only). In Azraq, there were two directors (male only) in 1987. In 1988, the number of the directors declined to one director (male only). In Thiban, in 1987, there were 5 directors (male only). There was no change in the number of the directors (male only). In South Mazar, in 1987, there were four directors (male only). In 1988, there no change in the number of directors (4 male).

In this way, the JCO had 635 employees of different types in 1987 and, in 1988, it declined to 593 employees.

Management of JCO:

The JCO is managed by the Board of ten directors, including five who represent the Jordan cooperative societies and the remaining five are nominated by the government. The Board has senior staff members of the Central Bank of Jordan,

the under-secretary of the Ministry of Agriculture, and a representative of the National Planning Council. The Director-General of the JCO is the Chairman of the Board of Directors. He is appointed by the Council of Ministers.

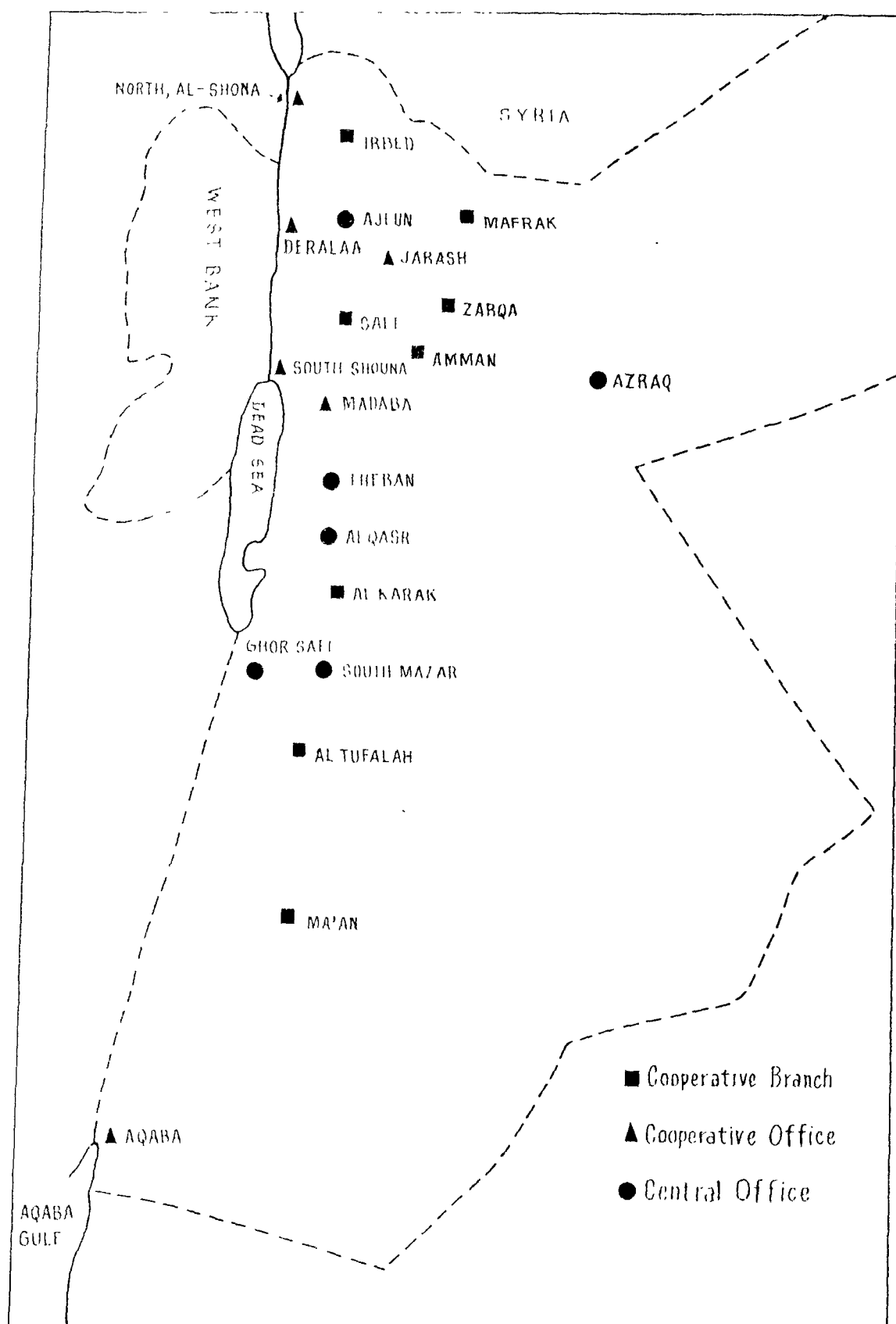
The following departments are there in the JCO to manage the multi-faceted functions:

1. The Cooperative And Project Department:

This department acts as a liason between the JCO and the district offices. Its functions include coordination and integration of services rendered by the primary cooperative societies, supervision and advisory service, to work in collaboration with the cooperative training centres, for spreading cooperative education among cooperative members and other citizens. It concentrates on agricultural cooperative societies in order to implement the rural development plans.

The project and Cooperative Department is subdivided into the following sections:

1. Agricultural Cooperative Section,
2. Non Agricultural Cooperative Section,
3. Cooperative Auditing, and Accounting Section,
4. REgistering and law Affairs Section,



4-1 CHART COOPERATIVE CENTRE, BRANCHES & OFFICES

5. Supply and Marketing Section, and
6. Planning and Statistical Section.

There are regional and district offices all over the country under the District office at the Head office of the JCO. The district offices are situated in Amman, Irbid, Jordan Valley, Karak, Zaraqa, Ma'an, Tafaila, Mababa, Salt, Southern Shuna Jerash, Aqaba, Ghor Safi, Theban, Der Alaa and Azraq (Map 1).

2. Finance Department (The Cooperatives Bank):

This department includes the Sections of Banking and Accountancy. The Banking Section accepts deposits and extends all kinds of loans and manage them, whereas the Accountancy Section is involved in the internal control of the financial operations of the JCO. The Banking Section consists of two sub-section, viz., one sub-section is managed by the Assistant manager. He supervises and controls loans, accounts, deposits, current accounts, cashier and collecting the loans, and there are regional and district branches for operation of loans and credit at the root level.

3. Administration Department:

The functions of this department are to coordinate and manage the internal activities and create cooperation in all

fields of activities. This department comprises various branch offices to perform activities such as general accounting, managing the staff, branches, typing archives, buildings and transport.

4. Supervision and Audit Services: The Jordan Cooperative Organisation is responsible under the cooperative law for the supervision and audit of all registered cooperatives. It maintains and qualifies auditors in the field and has a section in headquarters which keeps the official copies of societies' accounts. The headquarter staff also scrutinises committee minutes and the minutes of general meeting and arranges for JCC staff to attend when important matters are being discussed or when particular problems have to be put before the members of committee.

5. Cooperative Centres:

The Centre organises pre-service courses for the staff of the JCO and primary cooperatives as well as seminars and the short-term training courses for members of cooperative societies. It conducts evaluation and feasibility studies of the cooperative movement in Jordan and abroad. The activities of the centre include the training, studies, research and library.

6. The Branch Offices:

The Cooperative and Project Department supervises the activities of the following branches:

1. Branch office in the East Bank - Aman, Irbid, Karak and Jordan Valley.
2. Sub-offices in the East Bank - Madaba, Ma'an, Salt, Herash, and Tafaila, Ajlun, Mafrag and Zarqa.
3. Branch offices in the West Bank - Jerusalem, Hebron and Nablus.

There is a full-fledged Commerical Department with two separate sections for marketing the agricultural products and supplies of agricultural inputs. It has the divisions to undertake the exports and the imports, for accounting and the allied functions. The Dupply Division of the Commerical Department is concerned with purchases, sales and accounting of the goods and services supplies to cooperatives and their members on credit.

The Jordan Cooperative Organizations (JCO) has set up relevant offices throughout the country to fulfill the needs of masses. The main objective in catering to the needs of the public is to enhance social welfare in all parts of the Hashmite Kingdom of Jordan.

The JCO is responsible to recruit and train staff for all the cooperative societies in the country. It has recruited highly educated staff for different positions in the management.

Main Objectives of JCO:

The law specifies the following main objectives of JCO:

1. It undertakes promotion and supervision of the cooperative societies. This involves registration, liquidation, supervision, audit and in some cases management of cooperatives.
2. It acts as a banker of cooperatives and their members. This involves loans of all kinds, collecting spare funds and deposits and savings accounts. It is authorised to receive financial grants-in-aid, donations and gifts from International Cooperative Alliance.
3. It supervises technical supervisory services to cooperatives and their members.
4. It supplies and undertakes marketing of agricultural products.
5. It trains and educate its own staff and also the members, committees and staff of cooperatives.

6. It undertakes restructuring of cooperative societies to strengthen and develop cooperatives in the agricultural and non-agricultural sectors, and provides training facilities in Jordan Cooperative Institute.

7. It undertakes import and export of agricultural produces and distribute them among consumers at fair prices.

8. It undertakes to supply goods and services in scarce supply in the domestic market.

9. It implements the following programmes aimed at removing imbalances in the agricultural and the non-agricultural sectors which are manifested by demand exceeding supply of essential agricultural produces mainly due to lack of marketing facilities and low agricultural productivity.

- a) To develop agricultural land within the framework of national developmental plan.
- b) To boost land productivity by developing the means of irrigation and encouraging cultivators to raise crops for market in tune with demand pattern.
- c) To encourage the cash crops, viz., tobacco, in order to supplement income of cultivators.

- d) To extend all the necessary facilities for development of rural areas.
- e) To promote and strengthen working of housing societies for construction of dwellings at low cost for houseless families.
- f) To expand cooperative societies by providing education and training to members for starting societies as voluntary organisations for mutual help and mutual benefits.

10. It opens branches of cooperative banks for credit to the centres of cooperative societies in all parts of the country, and

11. It expands marketing network for distribution of agricultural produces of cooperative societies at fixed rates at all levels and functions as an agency to handle international trade as well.

Organisational:

The JCO performs significant functions for the agricultural development of Jordan. It has implemented some very vital schemes in collaboration with the Ministry of

Agriculture. Following schemes in this context are worth nothing:

1. It provides the basic services necessary for the cooperative sector such as establishing the cooperative centres, storage facilities for inputs and marketing channels for vegetables and chicken, etc.
2. It supports the cooperative training centres and establishes comprehensive training programmes to develop cooperative work from individual to collective efforts and provides it with incentives at different levels.
3. It gives cooperative marketing the attention it deserves, and expands the constructive approach between cooperative members and marketing department in cooperative organisations.
4. It provides the necessary funds from Central Bank and other local and foreign institutions so as to enable the cooperative organisations to achieve its objectives. The amount needed is estimated at JD 48 mn. to finance the projects of cooperative societies.
5. It encourages the cooperative societies to rely on their own resource.

6. It introduces modern banking practices in cooperative banks and establishes branches in the rural areas to serve the cooperative societies in these areas and encourages savings for investment in projects to increase productivity of land.

7. It amends the laws and regulations of the cooperative societies to enable them to keep up with economic and social developments.

8. It cooperates with the Ministry of Agriculture in implementing pilot projects for developing rain-fed areas and provides technical services.

9. It promotes cooperative societies for better utilisation of rangeland, shrub plantation and sheep raising with the purpose of developing and preserving natural grazing areas.

10. It collaborates with the Agricultural Credit Corporation and the Housing Bank in financing the agricultural and housing activities.

11. It allocates annual funds to the cooperative societies to provide it with working capital. The amount of loans to

meet working capital requirements of cooperatives increased from JD 1.88 million in 1981 to JD 4 million in 1985. There has been an annual increase of JD 4,00,000 in the provision of loans to finance the working capital.

12. The JCO has earmarked an amount of JD 30 million for cooperative societies during the five year plan, 1986-90, for capital formation in agricultural sector.

Capital Structure of the Jordan Cooperative Organisations (JCO):

The JCO's capital mainly comprises the share capital, the reserves and the allocations. It held JD 3,465,650 on 31 December, 1987. Its reserves amounted to JD 1,038,226 and the allocations stood at JD 2,280,078 in 1988.

In 1987 the JCO raised capital from external sources of JD 21,860,742. Of it, the external loans were of the order of JD 8,727,678. The Central Bank's loans amounted to 4,074,058. Deposit and current Account were 9,059,006. The internal resources were 24 per cent of the total liabilities in comparison with 76 per cent of the external resources. The JCO pays interest at the rate of 4 per cent on loans, as evidenced of tables 13 and 14.

TABLE 13
INTERNAL FINANCIAL RESOURCES
31 DECEMBER 1987

Capital Structure	Amount "JD"
1. Share Capital	3,465,650
2. Reserves	1,038,226
3. Allocations	2,280,078
Total	6,783,944

Source: Statistical Year Book, JCO Amman-Jordan, 1989.

TABLE 14
EXTERNAL FINANCIAL RESOURCES
31 DECEMBER 1987

Capital Structure	Amount "JD"
1. External Resources	8,727,678
'Long term loan"	
2. Central Bank of Jordan	4,074,058
3. Deposit and Current account	9,059,006
Total	21,860,742

Source: Statistical Year Book, JCO Amman-Jordan, 1988.

The capital is invested in fixed assets to the tune of 11 per cent. The loans to the cooperative societies amounted to 41 per cent. The current liabilities were 17 per cent.

The loans to the cooperatives were 86.4 per cent of the total capital resources held by the JCO in 1987. Comparing the loans to cooperatives with the assets of the JCO, were 5 per cent and the current assets constituted 19 per cent of the total assets held in 1987. The other current assets of the JCO were 20 per cent of the total investments in 1987. It may be inferred the JCO utilises major part of its resources in providing loans to the cooperatives societies.

The other current assets of the JCO were 20 per cent of the total investments in 1983. It may be inferred from the pattern of the investments by JCO that it utilises major part of its resources in providing loans to the cooperative societies.

JCO AND FIVE YEAR PLANS:

The JCO provides loans to both agricultural and non-agricultural cooperative societies for project directly related to the development of rural areas. The main purpose of these activities is to provide employment to people there and secure to them a good living standard. With these

objective in view, it has undertaken the financing of the following projects:

A. PROJECTS FOR AGRICULTURAL COOPERATIVE SECTOR:

The JCO finance the projects for modernisation of agriculture by supplying machinery and the improved varieties of seeds. It also sanctions the loans for the development of land, specially the rangeland to increase the supply of cattle fodder. A brief account of various projects is given in the following paragraphs.

i) Increasing and Improving Production

a) **Agricultural Machinery:** This project aims at applying intensive farming techniques in the rainfed areas, such as, Irbid, Madabad and Karak. It has established extension service centres for proper maintenance of farmmachines. These centres supply suitable farm machinery, tools and equipments to farmers on credit. The purpose of these projects is to induce farmers to adopt modern farming techniques. The machinery, tools and equipments are supplied at cost price.

The JCO implements comprehensive and integrated projects useful in the conservation of soil, preservation of humidity of the soil and management of rain water. It includes the provision of sowing machines, fertilizers and

TABLE 15
FINANCIAL RESOURCES OF THE PROJECT

	(JD 000)					
	1986	1987	1988	1989	1990	Total
G. Budget	-	-	-	-	-	
Internal Financing	91	92	92	92	92	459
External	147	147	147	147	147	735
Total	238	239	239	239	239	1194

Source: Five Year Plan for Economic and Social Development, 1986-90, National Planning Council, Amman, Jordan, 1990.

the projects to make use of the leftover straw after harvest.

This project provides modern ploughs, fertilizers and pesticides for use in irrigated areas of Jordan Valley and rainfed areas. It also finances the projects to plant trees in highlands and Jordan Valley.

The JCO has made an allocation of JD 1, 195,000 for the purchase of agricultural machinery during the five year plan period, 1986-90.

The table 15 above furnishes classification of the loans from various sources to finance the projects. The JCO provided from 'internal sources' the loans of Rs. JD 91,000 in 1986 which was stepped up to JD 92,000 during 1987 and 1990. Likewise, the grants, subsidies and loans from the Government, the Central Bank of Jordan and other financial institutions were JD 147,000 in 1986 which increased to 148,000 in 1990. The financial assistance from 'external sources' remained constant during 1986-1990 one of the main factors is to a large extent; the sluggish demand for loan in rainfed areas.¹

1. Five Year Plan for Economic and Social Development 1986-90, National Planning Council, Amman-Jordan 1990.

The project aims to increase seed production and distribution of improved varieties of seed among farmers through the cooperative societies. The project also aims at extending the 'cooperative societies' functions in the rainfed areas. The Cooperative Societies will be mainly concerned with introducing modern agricultural techniques in the rainfed areas and popularise the use of modern agricultural inputs, viz., fertilizers, pesticides and new varieties of seeds. The JCO has allocated the funds to the tune of JD 1028, 5000 during the plan, 1986-90. The Ministry of Agriculture supplies seeds to JCO for distribution among the farmers.

The table 16 presents the classification of funds by sources. The General Budget provided JD 93,000 for the project in 1986 which was raised to JD 97,000 in 1987, to JD 130,000 in 1988 and to JD 141, 000 in 1989. The funds of 153, 000 have been allocated for the project during the current year (1990). The external sources are providing substantial amount of funds to finance the project. In the initial year, 1986, 1986, JD 47,500 were provided to finance the various schemes of seed processing and development. The amount of JD 86,500 was available from the external sources were reduced to JD 11,500 in 1988. There was steep increase in the

TABLE 16
FINANCIAL RESOURCES OF THE PROJECT

	(JD 000)					
	1986	1987	1988	1989	1990	Total
G. Budget	93	97	130	141	153	614
Internal Financing	-	-	-	-	-	-
External	47.5	86.5	11.5	69	197.5	414.5
Total	145.5	183.5	141.5	210	350.5	1028.5

Source: Five Year Plan for Economic and Social Development, 1986-90, National Planning Council, Amman, Jordan, 1990.

availability of funds from the external sources from JD 11,500 in 1988 to 69,000 in 1989. There is still a larger provision of funds for the project in 1990, i.e., JD 197,500. The JCO allocated Jd 1028, 500 during the plan, 1986-90.

(2) Rangeland Development

The JCO has prepared several schemes for the development of the rangelands. It aims to check deterioration in the productivity of the land. The measures have been initiated to restrain the indiscriminate use of the rangeland for grazing cattle. It provides loans to farmers to plant shrubs, grow fodder crops and adopt rotation in the crop pattern to preserve productivity of the land.

The projects for rangeland development are being implemented in collaboration with international agencies. The FAO and the Ministry of Agriculture are collaborating to implement projects for the development of the area to grow fodder crops and introduce the rotation in the pattern of crop. Australia is also collaborating with JCO to introduce the techniques of controlling and managing the grazeland and the techniques to increase its holding capacity.

The JCO allocated JD 138,000 for the project, out of which an amount of JD 37,000 was provided out of General

TABLE 17
FINANCIAL RESOURCES OF THE PROJECT

	(JD 000)					
	1986	1987	1988	1989	1990	Total
General Budget	37	38	39	40	33	187
Internal Funds	-	-	-	-	-	-
External Funds	101	103	137	137	-	478
Total	138	141	176	177	33	665

Source: Five Year Plan for Economic and Social Development 1986-90, National Planning Council, Amman-Jordan, 1990.

Budget and that of JD 101,000 from external sources. The grant was raised to JD 141,000 in 1987, out of which an amount of JD 38,000 was earmarked out of General Budget and that 103,000 from the external sources. The funds were stepped up to 176,000 in 1988, including JD 39,000 out of the General Budget and that of JD 137,000 from external sources. In 1990, there has been steep reduction in the grant for the rangeland development project (to JD 33,000). The funds have been allocated out of the General Budget. The funds from the external sources are not forthcoming for the project in the current year, 1990 according to table 17.

(3) Development of the Cooperative Training Centres:

The project aims at promoting the cooperative training centres. It establishes libraries at the training centres and equips them with modern facilities, including audio-visual aids. These facilities are needed to the centres because they have been recognised by the Middle East and North Africa as regional training centres.

In the General budget, a sum of JD 15,000 was provided which remained constant at that level during 1986-90. There was no provision of any funds out of the internal resources of capital funds for the project. The cost of the project was

TABLE 18
COST OF THE PROJECT DURING 1986-1990

	1986	1987	1988	1989	1990	Total
General Budget	15	15	15	15	15	75
Internal Finance	-	-	-	-	-	-
External Finance	21	41.5	11.5	7.5	4.5	86
Total	26	56.5	26.5	22.5	19.5	116

Source: Five Year Plan for Economic and Social Development, 1986-90, National Planning Council, Amman, Jordan, 1990.

almost wholly met from the external sources, viz., JD 11,000 in 1986, JD 41,500 in 1987, a reduced amount of JD 11,500 in 1988, and steeply reduced amount of just JD 7,500 in 1989 and that of JD 4,500 in 1990. Thus, a total amount of 116 has been provided to finance the project during the five year plan, 1986-90 as evident from table 18.

(4) Development of Consumer Cooperatives:

The project's main objective is to develop consumers' cooperative societies in different parts of Jordan as outlets of agricultural produces on the one hand, and supply them to the consumers at reasonable prices on the other. These cooperative societies prices on the other. These cooperative societies are to supply specially the fruits, vegetables and similar other agricultural produces in the market. The project has the target to set up 14 consumer cooperative societies and 30 multipurpose (non-Agricultural) cooperative societies in different parts of the country.

The cost of the project is presented in the following table:

(5) Development And Expansion of the Services of the Cooperative Organisation:

This project takes care of the need of cooperative societies for the training of members to organise and manage

the cooperatives. It also provides for the development of marketing cooperative societies in Jordan. It allocates JD 2.5 million for the project during 1986-90. IT includes the following plans in particular:

(i) Development of Cooperative Institutes:

The Jordan Cooperative Organisation undertakes to provide education and training to members from 15-20 in a one-year diploma course. These trainees are sponsored by the government and other institutes in the private sector. The Jordan Cooperative Organisation extends the facilities of instructions in the use of computers and organising the library on scientific principles for the benefit of members. It is expected that the efficiency of the cooperative societies would improve with the availability of modern facilities of information system. The modern libraries would promote the cooperative education among people. An amount of JD 161, 000 has been earmarked for the provision of facilities under the project during 1986-90.

(ii) Construction Works Schemes:

The project includes construction plans of buildings for the cooperative societies. These buildings are constructed for the offices of the societies. Besides, the

TABLE 19
FINANCIAL RESOURCES OF THE PROJECT

	(JD 000)					
	1986	1987	1988	1989	1990	Total
General Budget	-	-	-	-	-	-
Internal Finance	103.5	168.5	100.5	152	100	624.5
External Finance	400	300	200	200	155	1255.0
Total	503.5	468.5	300.5	352	255	1879.5

Source: Five Year Plan for Economic and Social Development, 1986-90, National Planning Council, Amman, Jordan, 1990.

Jordan Cooperative organisation has been entrusted with the functions to construct the warehouses and storage houses for agricultural produces in several parts of the country, viz., Irbid, Karak, Jordan Valley, Madabad, Zarga, Salt, Maan and Tafila, etc. The project is estimated to cost JD 1879,000 during 1986-90.

The main part of the project is sought to be financed from external sources. A total amount of JD 1,255,000 is expected to be raised from external sources during 1986-90. The internal sources of JCO will contribute a sum of 624,500 during the period, 1986-90. However, there is a provision for capital funds in the General Budget as evident from table 19.

(iii) Establishment of Foodgrain Bufferstocks:

Jordan Cooperative Organisation has also been entrusted with the responsibility to execute the project for the construction of storage houses to hold the buffer stocks of foodgrains, viz., barley, wheat and fodders. The buffer stock will be drawn upon the times of emergency created by crop failure owing to poor rainfall. The centres will be established in different parts of the country to procure the foodgrains and the fodder and distribute them to mitigate sufferings of the consumers. The foodgrains will be distributed through consumers cooperative societies. The

project's cost is estimated at JD 2 million during the period, 1986-90.

(iv) Development of Cooperative Marketing System:

The project is undertaken for the development cooperative marketing system throughout the country. The Jordan Cooperative Organisation has drawn up the plan for the period, 1986-90 at a total cost of JD 445,000. The cooperative marketing societies will be established in the non-agricultural sector to have sobering effect on the price level and contain inflationary forces.

The total capital funds are to be provided by the internal resources. The total cost of the project is almost equally spread over all the years of the period, 1986-90. In the initial year of the period, 1986, JD 70,000 is allocated, raised to JD 84,000 for 1987, to 120,000 in 1989, but reduced to 82,000 in the last year, 1990.

11. PROJECTS FOR NON-AGRICULTURAL SECTOR:

The Jordan Cooperative Organisation is undertaking numerous valuable projects to accelerate economic development. It has planned to establish consumer cooperatives in the urban and rural areas both to supply essential consumer goods at reasonable prices. Similarly, it

has been implementing the industrial projects in the cooperative sector in rural areas to develop the area industrially on the one hand and provide employment to workers in their native places on the other. These industries are to use the locally available resources, including the human power and skills. The Salt manufacturing capacity is being expanded in the cooperative sector. Besides, there is a comprehensive project to develop the transportation network in the cooperative sector for the efficient movement of passengers and commuters, from different towns and cities to and from the capital town, Amman. An account of each of the cooperatives in the non agricultural sector is presented in the subsequent paragraphs.

(i) Consumer Cooperatives:

The Jordan Cooperative Organisation proposes to extend facilities to the existing consumer cooperatives for efficient management and organisation. For the purpose, it undertakes to train their staff in modern techniques of management and organisation. Besides, it plans to expand the consumer cooperative societies. Bedford, it plans to expand the consumer cooperative societies. It aims to fulfill the target of 14 new consumer cooperative centres and 30 branches in different parts of the country. These consumer cooperative

societies get the supplies from the cooperative industries at ex-factory cost. The consumer cooperatives in agricultural and non-agricultural sectors will function as multi-purpose consumer societies; they would function as a channel of distribution of consumer goods manufactured in the consumer cooperatives on the one hand and provide training in the trade to their members on the other. In this sense, these societies are established for the multi-benefits of the members.

(ii) Rural Industrial Cooperative Societies:

The Five Year Plan, 1986-90, highlights the need for industrial development of the rural areas. It emphasises the labour intensive projects based on locally available resources. The Jordan Cooperative Organisation has started implementing the projects for the establishment of small units in the cooperative sector. It assigns significance to handicrafts and undertakes to supply modern tools and implements to increase efficiency. Besides, the projects of live pressing units has also been given priority in the cooperative sectors. It is an integrated project to develop both olive oil manufacturing facility as well as the units to pack the olive and olive oil for distribution in the market. It is expected that the project would succeed to supplement

the income of the farmers, artisans and other weaker sections of the population by providing gainful employment the income of the farmers, artisans and other weaker sections of the population by providing gainful employment in the native places besides bringing about balanced regional development which the capital intensive industries in the private sector are unlikely to achieve.

(ii) Salt Manufacturing Cooperatives:

The salt manufacturing capacity is being expanded by the Jordan Cooperative Organisation in collaboration with the Ministry of Agriculture and the Bank for Industrial Development. The Al-Azraq Agricultural Cooperative Society is entrusted with the organisation and management of the salt plant. The machines, tools and implements and the other paraphernalia by way of infrastructures are to be supplied and installed by the Ministry of Agriculture. The capital to fulfill both the fixed capital and the working capital requirements will be provided by the Bank for Industrial Development to the tune of JD 1,596,000 during 1986-90. The plant will have the capacity to produce 12,000 tons of salt per annum for domestic consumption. It will help the country much of the foreign exchange spent on the imports of iodized salt from neighbouring countries, viz., Iraq and Syria. This

project also intends to bring about transition of the Azraq agricultural region to the industrial sector. It would indeed be helpful in adding to the marginal efficiency of the capital in the region. It may also act as nucleus to the development of other ancillary industrial activities, including the units to make spare parts for the machines used in the plant, the transportation services, etc.

It is evident from the foregoing table 20 that there is no provision of funds in the General Budget. That project is mainly financing from internal and external sources. The internal sources are estimated to contribute JD 496,000 during 1986-90; out of the total funds, as much as JD 410,000 were estimated for investment in the project in 1987. The external sources are mobilised to share the major financing of the project; this source is expected to provide JD 11,00,000 during 1986-90. The fund-flow is even distributed over entire five year period, viz., JD 200,000 in 1986; 210,000 in 1987, 2,220,000 in 1988 JD 230,000 in 1989 and JD 240,000 in 1990. The bank for Industrial Development is the main financial institution to provide the capital funds for the salt project in the cooperative sector. The total capital cost of the project amounts to JD 1,596,000 during the period, 1986-90.

TABLE 20
FINANCIAL RESOURCES OF THE PROJECT

	(JD 000)					
	1986	1987	1988	1989	1990	Total
General Budget	-	-	-	-	-	-
Internal Financing	56	410	10	10	10	496
External Financing	200	210	220	230	240	1100
Total	256	620	230	240	250	1596

Source: Five Year Plan for Economic and Social Development, 1986-90, National Planning Council, Amman, Jordan, 1990.

(iv) Transportation Cooperatives:

Cooperative societies are being associated with the development of transportation facilities specially in areas where the bottlenecks of transportation constitute a serious impediment in the process of economic development, viz., Irbid, Jarash, Ajlun, Amman, etc. The Jordan cooperative organisation has prepared the project to increase the number of buses and construct the metalled roads for efficient transportation system. It has allotted capital funds between JD 4 million and 5 million to fulfill both the short-term and the long-term capital needs. The funds are to be made available to the transportation cooperative societies of the region identified as backward in terms of the transportation facilities. The project aims to increase the 'place value' of goods and services of the regions. The Jordan Cooperative Organisation has mobilised the entire amount of capital funds from the internal and the external sources. The external sources include the private capital in the country and the international funding agencies, viz., the International Cooperative Alliance, North Africa, Australia, the U.S.A. and the Cooperative Organisations of the Arab World.

Performance of Jordan Cooperative Organisation:

The Jordan Cooperative Organisation can obtain advances from the Central Bank of Jordan of up to JD 6 mn., repayable in five years at 3.5 per cent of interest. It can also enter into long term loan agreements with external financial institutions. The approval and guarantee is furnished by the Government in case of the external loans. Deposit and Current Accounts have grown to be an important source of funds in recent years. These funds are attracted by the Cooperative Bank. Cooperatives are encouraged to keep their deposits at this Bank. they must maintain the Current Accounts there to be eligible for loans from the Jordan Cooperative Organisation.

The Jordan Cooperative Organisation provides the seasonal loans, the medium term and the long term loans. The later two types of loans are supplies for capital formation both in the Agricultural and the Non-agricultural sectors. The Jordan Cooperative Organisation provides a loan of JD. 979,472 in 1986, JD 1,881,117 in 1987 and JD 993,339 in 1988. By 1990, The Agricultural SEctor has been given priority in the allocation of funds in 1986 JCO sanctioned loan of JD 842, 127 to the Agricultural sector, or 85.98 per cent o the total loans Largely the JCO provided credit to fulfill the

requirements for financing the seasonal operations; the seasonal loans amounted to JD. 546.035 in 1986, or 74.8 per cent of the total AGricultural loans. the medium term loans of JD 296,092 , or 35.2 per cent of the total loans sanctioned to the Agricultural SEctor. It implies that the farmers are carrying out less capital formation. It calls for inducement to farmers to undertake project to raise the productivity of the land.

The Jordan Cooperative Organisation provided loan of JD. 137,345 to the Non-Agricultural sector, or 14 per cent of the total loans sanction during 1986. It is accounted by inadequate number of cooperatives in the non-agricultural sector. However, growing importance is given to programmes to develop the non-agriculture cooperative societies for the development of transportation, warehousing and storage, marketing and housing. The Jordan Cooperative Organisation sanctioned short term loans to the Non-Agricultural Sector of JD 41,000 or 29 per cent of the total loans sanctioned to the cooperatives in the non-agricultural sector, 29 per cent. The medium term loan sanctioned amounted to JD 45,439, or 31 per cent of the total loans to the non-agricultural sector. The long term loans of JD 50,906 were sanctioned or 40 per cent of the total loans to the non-agricultural sector. The

long term loans of JD 50,906 were sanctioned or 40 per cent of the total loans to the non-agricultural sector. More of the long-and-medium term loans have been provided because the capital formation has to take place at an accelerated pace in the non-agricultural societies in the agricultural sector. In 1987 JD 1, 749, 871 was supplied to the Agricultural sector to fulfill the seasonal credit requirements and to finance the capital formation on medium-term basis. The Agricultural sector claimed lion's share of 93 per cent of the total loans sanctioned by the JCO both the Agricultural-and-the-Non-Agricultural Sector. The seasonal credit amounted to JD. 898,478, or 51 per cent of the total loans to the Agricultural cooperative societies. The medium term loans stood at JD 851,393, or 49 per cent. It reveals that the Jordan Cooperative Organisation supplied loans to the farmers to fulfill their financial needs to carry the agricultural operations. However, the farmers were able to get the capital funds for permanent investment on the medium term basis.

The Non-Agricultural Sector received the loan of JD 131,246 in 1987 or 7 per cent of the total loans to both the sectors. Out of the loans to the Non-Agricultural sector, the short-term loans to the Non-Agricultural sector, the short-term loans amounted to JD 72,100, or 55 per cent. The medium

TABLE 21
DISTRIBUTION OF LOANS DURING 1986, 1987 & 1988

(JDs)			
Loans	1988	1987	1986
A. Agricultural Loans	943,673	1,749,871	842,127
- Seasonal	534,103*	898,478	546,035
- Medium	409,570	851,393	296,092
- Long	-	-	-
B. Non agricultural Loans	49,666	1,31,246	137,345
- Short	30,000	72,900	41,000
- Medium	19,660	27,668	45,439
- Long	-	30,678	50,906
Total	993,339	1,881,117	979,472

* 1695 (JD) is added here from other loans items.

Source: Statistical Year Book, Jordan Cooperative Institute,
 Amman-Jordan, 1988.

term loans of JD 27, 668 was sanction, 21 per cent. The JCO provided the long term loan of JD 30,678 or 24 per cent.

In 1988, the JCO provided loans to the Agricultural Sector of JD 943,673, or 95 of the total loans to both the sector. The Agricultural Sector still received top priority in the lending operations of the JCO. Out of the total loans to the Agricultural Sector, the Seasonal Loans amounted to 543,103 (JD), or 56.59 per cent of the total. The medium term loans of JD 409, 570 were provided by the JCO; it works out to 43.41 per cent of the total loans to the Agricultural Sector.

It is evident from table 21 that JCO supplied loans to the non-Agricultural Sector of JD 49,666 or 0-5 per cent of the total. Out of it, JD 30,000 were sanctioned to fulfill the short term financial requirements of the non-agricultural cooperatives. It constitutes 60.4 per cent of the loans to the non-agricultural cooperatives. The JCO sanctioned the medium-term loans of JD 19,660 or 39.6 per cent of the loans to the non-agricultural cooperative societies. The long-term loan to them was not provided during 1988.

It is worth noting that the seasonal loans extend to the full period of the seasonal operations, viz., from 1

month to 14 months. The period of the medium-term loans extend from 2 to 7 years. The period of the long term loans range from above 7 years with a grace period that matches the period of productivity of the financed project. The seasonal loans are available to farmers to purchase the agricultural inputs, viz., the seeds, the fertilizers, the wages of the farm labourers, etc. These loans are recovered at the time of harvesting since it is most convenient to the farmers to repay the loans and pay the interest out of the current income. The objective of the medium term loans is to provide the capital funds for such projects as the development of poultry farms, ranching farms, the land reclamation, etc. The recovery of the loan is long enough to facilitate the farmers. The long term loans are meant for permanent investment for the acquisition of the productive assets, such as the farm machines, the establishment of the small agro-industrial units, and, in exceptional cases, for purposes other than those included in the schedule of the approved projects. The loans are recovered only when it is expected that the gestation period of the project is over. The farmer is expected to repay the loan and pay the interest out of cash-flows from the financed project. The JCO provides the loan facilities only to the cooperatives, except by the prior

approval of the Board of Directors to non-cooperatives in exceptional cases.

A farmer is obliged to repay the due loans before he applies for the fresh loans from the JCO. The farmer in the irrigated areas is eligible for fresh loans if he has paid off 70 per cent of the due loans. The farmers of the unirrigated areas should have repaid at least 60 per cent of the due loans to be eligible for loans again.

The JCO has a place of great significance in the development and modernisation of the agricultural sector. Its functions related to the provision of the loans are a great help to the efforts of the Jordanian Government. To attain the objective, the JCO supplies concessional loans to farmers, 2-3% below that the rate of interest charged by the commercial banks and 27-28 per cent below that charged by the money-lenders. However, the small farmers are not the beneficiaries of the credit facilities from the JCO owing to the conditions regarding security and the guarantees. It favours the big farmers. Besides, the credit-worthiness of small farmers; their credit-worthiness is not comparable to that of the big farmers. It is time that the traditional rules of the lending operations were modified to fulfill the credit needs

of the small farmers who constitute the majority among the farming community.

Lately, it has been observed that the farmers are reluctant to avail of the credit facilities from the JCO due to inconvenience they have to bear in obtaining the loans. They are not accustomed to the dealings with the officials. They are too illiterate and ignorant to file the application of loans properly. Secondly, there is little awareness among the farmers about the types of the projects which are acceptable to JCO for credit purposes. Besides, the JCO is not providing the credit facilities to all the agricultural areas equally. At present, it has got two branches operating in the Jordan Valley which is fully developed and economically more prosperous area of the country. However, it has the plan to open additional branches in the backward unirrigated areas. Though the farmers are allowed to submit their applications either at the Head Office in Amman or at any branch office, the farmers have to travel long distance to make the application. The procedure to sanction the loans is quite time consuming. It takes several weeks before the loans are finally sanctioned. Again, the loans are not available to farmers in full; they are disbursed in instalments on the basis of the reports by the inspection

terms. A farmer is not accustomed to the rules and regulations. They usually act as a constraint on the willingness to avail of the loans from the JCO. A suitable amendment to make the rules more liberal and the facilities attractive will be helpful to the attainment of the objectives of modernizing the agricultural sector. It is worth recalling that the loans are available for the specified objectives. It is a rigid approach to lend credit. The JCO is handicapped to finance the projects outside the purview of the rules and regulations though the scheme may be productive. The JCO should be vested with discretionary powers in regard to its lending pattern.

In other words, the JCO undertakes to provide loans to both type of cooperative societies, the agricultural and the non-agricultural. To the non-agricultural cooperatives it supplies the short-term credit to finance their working capital requirements and the medium-and-the longer term loans are provided for capital formation. On the contrary, it readily makes available the seasonal loans during the harvesting and the tree-planting period specially to meet the operational cost of farming. The medium and the long-term loans are utilised for permanent investment for acquisition of agricultural assets, viz., the land, the costly farm-

machines, etc. The JCO buys and develops agricultural land for the cooperative societies for distribution among the small and the marginal farmers. However, it puts strict conditions that the money lenders and the big farmers are not entrenched in the organisation and management of the cooperatives.

The JCO, to fulfil its main objective of economic development, has formulated the following principles of sound lending and investment. These principles are the basis of the policies of the Board of JCO for the realisation of main tenets, viz., the accelerated economic growth.

1. The size of loans is determined by the capacity of a cooperative society. The capacity is measured in terms of its share-holding in the JCO. These loans are sanctioned to cooperatives to undertake activities within the framework of the developmental five year plans.

2. The JCO, in providing the loans to the cooperatives, take into account the fund flows from different sources, viz., the General Budget, the external funds and the internal sources. It sanctions more loans if its fund position is easy. In case of financial strains, it curtails the amount of the loans. However, the rationing of the funds for alloca-

tion to different activities is circumscribed by the national priorities.

3. The JCO is guided by the priorities contained in the five year plans. It sanctions loans to cooperative societies in the areas and for the activities which have been assigned great weightage in the national developmental plans. This principle is evolved to implement the projects contained in the five year plans for the economic development.

4. Besides the shareholdings of cooperative societies in the JCO and that of the individual members in the societies, the value of the securities is also taken into consideration which is analysed with the purpose to find out the repayment capacity of borrowing members. The main objective of the principle is the safety of loans in case of default. The JCO, after issuing a proper notice, can proceed to recover the loan from the public sale of the mortgaged property.

5. The loans are subject to feasibility study of the projects by the staff of the JCO. Though there is no upper limit for loans to a single applicant, it tries to equitably distribute the funds among cooperative societies in different areas. The upper limit depends upon the availability of capital funds to the JCO.

6. Besides the feasibility study, the JCO appoints the Inspection team to collect first-hand information from the borrower regarding his activities, income, size of the family, the liabilities, etc. The information so gathered by the inspection team is analysed by the Information Department, the Audit Department, the Manager and the Deputy Manager In-charge of the cooperatives at the headquarters of the JCO. The principle is adhered to with the purpose of avoiding chances of spurious applications for loans for dubious purposes.

7. The JCO is guided by the instructions from the Ministry of Agriculture, the Agricultural Credit Corporation and other Ministries and the Government Departments in respect of loans and credits to the cooperative societies.

8. The Ministry of Agriculture identifies the agricultural products to be produced in view of the domestic demand or for exports. Accordingly, instructions are issued to JCO for financing the agricultural operations. This principle is evolved for coordination between the JCO and the Government for increasing the supplies of food and fodder to the market, local and central both.

9. The JCO provides seasonal loans at the time of agricultural operations for the purchase of seeds, pesticides, fertilisers, etc., and they are recovered at the time of harvesting when the farmers receive income from the sale of farm produces.

10. JCO also undertakes to supply inputs to the farmers on credit. It has established the supply stores at the local levels to ensure steady supply of the necessary agricultural inputs in adequate quantities at the right time. For effective control of the supply stores and the distribution of inputs, it carries out periodical physical auditing of the stocks.

The principles of lending and investment have been formulated for effective and efficient utilisation of limited capital resources. However, the principles of conventional lending and investment need be relaxed to finance the credit needs of small farmers who are unable to furnish the securities and guarantees.

The borrowers are required to furnish two guarantees to the JCO for loans, the personal guarantee and the financial guarantees. The agricultural loans are slightly different in as much as the rules governing the guarantees are concerned.

The JCO requires two personal guarantees from the borrowers belonging to rainfed areas for loans of upto JD 500, and for loans of upto JD 200 in the dry societies to finance their operations by way of subscription to debentures floated to raise the capital funds or the securities they hold in the form of the documents of lien or hypothecation. The JCO accepts its own shares as securities from the non-agricultural cooperatives.

The JCO provides loans of upto JD 1500 to borrowers unable to furnish the collateral securities on the strength of the guarantees from the Municipality, the Ministry of Commerce or village Majlis. The loan is, usually, repayable within 3 years. In other words, the medium term loans are available on the basis of non-collaboral securities.

The JCO extends loans to cooperative societies on the security of its own shares or the debentures to extent of 67 per cent of the face value. In other words, it retains a substantial 'safety margin' to allow for variations in the market value of the share and debentures. On the other hand, it also acts as an incentive to the cooperative to invest their savings and surplus in the shares and the debentures of the JCO to avail of the easy loans from the JCO.

The JCO extends the loans to its staff members, including the pension-holders. The amount of the loan should not exceed JD 500, repayable in installments equal to one-third of the salary on the maximum. The loan is repayable in three years.

The JCO provides loans to the non-agricultural cooperative societies for the purposes specified by the government. The loans are placed at the disposal of the managers of the non-agricultural cooperatives for the objectives specified as follows:

It provides loans to the consumer cooperative societies for the purchase of land for the construction of stores or the marketing centre mainly to supply to consumers the agricultural produces. The loans are also utilised for the purchase of furniture, furnishing of consumer cooperative stores, to install refrigerators and other equipments and appliances to increase the shelf life of the agricultural produces. The loans are available to finance the inventories of the consumer cooperative stores to maintain steady and uninterrupted supplies of the primary goods to the consumers in the area.

Multi-benefit cooperative societies:

The long term loans are provided by the JCO for the purchase of land not exceeding 1 Donam in the urban areas and 2 donams in the semi-urban or rural areas. The land purchased by the multi-benefit cooperative societies, is used for the construction of building for their offices, or the centres to carry out their activities for the benefit of the community members. The loans are also available for the purchase of built house, to buy furniture and the office machines such as typewriters, computers, etc. The multi-benefit societies also get loans from the JCO to establish libraries, cultural centres, clubs and similar other centres for their members.

The loans are also provided by the JCO to finance the establishment of the petrol pumps, the automobile service centres by the multi-benefit cooperatives in the rural and urban areas.

The JCO sanctions loans to finance the establishment of restaurants, canteens and the bakeries for making bread for the families who do not the cooking facility of the time to cook their own food. The loans are also extended to the multi benefit cooperatives to develop the transportation system. For the purpose, the loans are utilised to buy the

passenger care, buses, etc., for the movement of cooperative members and others from city to other distant places in the country. The multi-benefit cooperatives also undertake to impart training to the cooperative members in certain skills such as training to the cooperative members in certain skills such as tailoring carpentry, masonry, etc. After the training, the loans are provided to the members to establish their own service centres, buy the machines equipment and tools, required for the trade. The JCO also provides loans for the welfare of the family of the cooperative members. The loans are available for the education of children treatment of dependents and for the performance of social and religious rites.

Industrial And Handicraft Cooperative Society:

The Jordan Cooperative Organisation (JCO) provides loans to industrial and Handicrafts cooperatives to purchase land for the construction of factory premises.

The loans are also available from the JCO for the procurement of tools, implements, and spare parts for the maintenance of machines. The loans are for a short-term period and are meant for financing the inventories determined on the basis of the productive capacity.

The loans are also extended to industrial and handicraft cooperatives for the procurement of raw materials and to finance the marketing activities. It is to enable the industrial and handicraft cooperatives to overcome the deficits in the cash flows arising from the delay in the realisation of the credit sales.

The JCO stands to extend loans to cooperative societies for completion of contracts with another cooperative societies for the supply of products. It has the purpose of removing financing constraints in the production of the goods and to ensure the timely supplies.

JCO, apart from extending the loans for the purposes mentioned above, also assumes the role to furnish guarantee when the industrial and the handicraft societies bid for a contract for the procurement of raw-materials in bulk or to supply the output to the business establishments in the public or the private sector.

The JCO gives priority to the new projects in the allocation of loans to the industrial cooperatives as well as to the handicraft cooperatives for the acquisition of fixed assets, including purchase of land, machinery, tools and implements. The projects by individual members to establish

a new plant in the cooperative are also financed by the JCO. The JCO aims at creating the productive capacity in the cooperative sector for accelerated economic development.

Loans to Multi-purpose Cooperative Society:

The multi-purpose cooperative societies which are eligible for loans from the JCO comprise multi-benefit cooperative societies, the housing cooperative societies, the industrial and handicraft cooperative societies, the lending and investment cooperative societies, the industrial and handicraft cooperative societies, the lending and investment cooperative societies. The main objective of the provision of the loans by the JCO to the multi-purpose cooperative societies is to have a favourable impact on the level of economic development and to provide opportunities of gainful employment to the members of the cooperatives at the local level. The priorities are, indeed assigned in the light of the national economic development plans envisaged by the National Planning Council.

Principles of Lending and Investment by JCO: In The Agricultural Cooperative Societies:

The JCO, as an apex body, plays very significant role in the fulfilment of the targets of the national economic

development five year plans by extending financial assistance to the agricultural cooperatives. The priorities are fixed for the allocation of funds on the basis of the following criteria:

1. **Purpose of the Loans:** The JCO provides loans to agricultural cooperatives for the following purposes:

- a) To purchase the necessary agricultural inputs, viz., seeds, fertilizers, pesticides, etc.
- b) To purchase the farm machinery, tools and implements and for irrigation purposes, such as, erection of the pumping sets, construction of tube-wells, if possible, etc.
- c) For maintenance to purchase the spare parts and to pay for servicing of the farm machinery and also to purchase the fuel, viz., the petrol, diesel, etc.
- d) To pay wages of the farm labourers.
- e) To plant fruit trees, raise fodder crops and vegetables and other green produces.
- f) For the construction of houses in rural areas in the following way:

- i) The maximum amount of the loan is JD 1,500.
- ii) The rate of interest on such loans is 7 per cent.
- iii) The loans are provided in instalments according to the stage of the construction; for instance, the first instalment is payable on the completion of the plinth, the second instalment for raising the walls and the last instalment for roofing and completion of the house with fixtures and fittings.
- iv) The repayment is in five annual instalments.
- v) The loans are sanctioned to the members after they obtain licence from the municipality or majlis for the construction of the house.
- vi) The application for the loans should be accompanied with the building map and the details of the area to be covered by the house.
- vii) The house to be constructed with the loans from the JCO should be used for personal residence, and not for rental income under any circumstances.

- viii) The repayment of the loan takes place during the harvesting period and it is not postponed under normal circumstances.
- ix) The loan of JD 500 is sanctioned for the rebuilding of the house. It is payable in three annual instalments.
- g) JCO provides loans to the agricultural cooperatives for the purchase of agricultural lands for extensive agricultural operations. The purpose is to let the cooperative societies hold large agricultural farms for the application of modern farming techniques.
- h) It also provides loans to the agricultural cooperatives to establish the green houses for raising the farm productivity in spite of the small land holdings.
- i) The JCO also undertakes to supply loans to the agricultural cooperatives for the establishment of godowns and sotrages to regulate the supply of the farm produces to the market round the year. The norms for the loan for this purpose are as follows:
- i) The loan for storage purpose should not exceed the amount of JD 1,500.

- ii) The interest is charged at the rate of 7.5 per cent.
- iii) The loan is disbursed according to the stage of construction, for instance, at the time of plinth the first instalment of the loan is disbursed, at the time of raising the walls the second instalment is released and finally the last instalment is paid for roofing, etc.
- iv) The repayment takes place in five annual instalments.
- v) The borrowers must submit the building map and the permission from the municipality or majlis for the construction.
- vi) The storage are not to be used by the borrowers for retail income; they should be used as godowns of the agricultural cooperatives.
- vii) The repayment of the loans does not necessarily take place during the harvesting period; it may be realised according to the cash flow position of the agricultural cooperatives.

2. Animal Product Cooperatives:

The JCO provide loans to the animal product cooperatives to overcome shortage of the animal supplies,

viz., the milk, the dairy products, the meat, eggs, etc. The loan is provided for the following projects of the animal product cooperative societies:

i) The loans are provided for the development of poultry farms to supplement the income of the cooperative members. The loans are available for the purchase of the birds, the construction of the pens, the feeds, the arrangement of water, and also for the medicines. The JCO undertakes to supply credit to introduce better breeds of the birds.

ii) The loans are provided to the animal product cooperatives to develop the sheep raising farms. The objectives of the loans include the cost of the better variety of sheep for yielding good amount of wool and meat as well. The credit is given for developing the grazing grounds for the sheep.

iii) The projects for developing the ranches for good breed of milchy cows are also financed by the JCO. It includes provision of the loan for the purchase of the cattle, to develop the field to raise fodder crops, and the grazing grounds.

iv) The JCO extends loans to the agricultural cooperatives for the bee-keeping purposes to increase the domestic supply of honey.

v) The loans are also provided for rabbit projects it includes provision of credit for the procurement of rabbit to develop their breed, the fodder and the supply of medicines to look after their health, etc.

vi) The loans are also sanctioned for the fish farming to supply the product to the consumer at reasonable prices. The project assumes significance because of the limited coastline for the purpose of catching fish in the high sea. And there are not many ponds to ensure the supply of the fish.

vii) The JCO undertakes to finance any project which promise to increase the animal product.

Miscellaneous Projects For Members of Agricultural Cooperative Societies

i) Loans are provided for the purchase of trucks to transport agricultural product to the market or to transport the agricultural inputs, viz., the fertilizers, chemicals, seeds, etc. The vehicles are also supplied to cooperatives members

for transporting the agricultural products from one society to another under the direction of the JCO.

ii) The loans are also available for the fodder, feed for chickens and tools, equipments, etc., which are necessary for cultivation purposes.

iii) The JCO provides loans to the farmers to purchase generators to energize their pumping sets and machinery etc.

iv) The loans are made available by the JCO to cooperatives and the members of the cooperative societies for the establishment of petrol pumps and auto service centres in different parts of the country. Special projects For Agricultural Cooperative Societies.

The JCO has prepared special projects for the agricultural cooperative societies to accelerate modernisation of the rural sector. It undertakes to provide loans for the following special projects:

1) To purchase land for the projects which are necessary for cooperative societies.

ii) To undertake construction of offices, storages, etc., for the cooperative societies.

iii) To establish the olive oil processing units in the rural areas.

iv) To establish carpenter's centres for making boxes which are necessary as contrainers to the cooperative societies for transporting their produces.

v) To establish flour mills in the rural areas for the supply of grain fodder for the cattle and the feeds for the birds.

vi) To purchase boats and equipments for the fishermen.

vii) To establish dairies and instal the necessary dairy machines, tools and equipments.

viii) To purchase the agricultrual machines, such as tractors, thrashers, harvestors, harrows, etc.

ix) To purchase motor vehicles for the transportation of agricultural produces.

Stake Capital by Cooperative Members in agricultural Projects:

The Cooperative members are required to contribute 25 per cent to the cost of the project and the JCO provides

loans equal to the 60 per cent of the capital cost of the project. The remaining 15 per cent is contributed by the cooperative societies.

Interest Policy of JCO:

The Board of Directors of the JCO have to observe the provisions of the law No.5, 1971 and the Law 215 for formulating the interest policy of the JCO. There is another law 238, December 13, 1976, which is to be observed by the Board to determine the rate of interest. Following are some of the salient features of these laws:

1. The JCO charges 5 per cent interest on medium term loans for the purchase of farm machinery, to develop the agricultural land and also to finance the agricultural operations.
2. The JCO charges 5.5 per cent interest on medium term loans to cooperative members. These loans are disbursed to members through the cooperative societies.
3. For loans to produce wheat, the JCO charges interest at the rate of 5 per cent.
4. The loans to consumer cooperative societies carry interest at 7 per cent.

5. The interest is charged at 6 per cent on loans for seasonal operations. On payment of loan on due dates or before, rebate at 1 per cent is followed.

6. The interest is charged at 7.5 per cent on loans to the Housing Cooperative Societies for purchasing the land and constructing the building.

7. Loans to cooperative societies for construction of houses in rural areas carry the interest at 7.5 per cent.

LOAN COUNSELLING AND PROCEDURES

The qualified managers are the corner-stone of the Jordan cooperative organisation's strategy for developing the cooperative institution as well as the farmers. Loans are merely one part of a package which includes farm planning, extension services, as well as financial and commercial information.

Seasonal credit is made available to a cooperative on the basis of the farm plans agreed with the manager and the JCO district and Head quarter Staff. Each member's involvement is determined by his record as farmer and as a member of the cooperative. The manager is responsible for aggregating the needs of each of the members for seeds, chemicals,

fertilizers and small items of farm equipment and these needs are met from an overall seasonable credit amount which is negotiated each year for each society.

Medium term credit i.e. loans for longer than a year but not more than nine years are made on the basis of a technical appraisal of the proposed uses by the managers with the help of Ministry of Agriculture Staff and the audit (accountancy) staff of the JCO. These applications pass through the district Directors to Head quarter technical and Projects Staff. The latter advice the financial committee of the JCO who are responsible for approving loans.

District Directors often reject application because the information is obviously insufficient to support the loan request or because some other aspect of the loan procedures has not yet been met. When this is done the Director meets the farmers or the society concerned to explain why he cannot pass on their application and to advice them what to do in order to get their project in a well planned and well presented state.

Long term loans are, in general, only made to cooperatives and not to individual farmers. To qualify for

consideration a society must have funds deposited with JCO to cover a proportion of their needs.

Moreover long term loans are now only made with long term funds provided to JCO for that particular type of lending.

Supply and Marketing Department:

JCO has worked out a plan to play effective role in marketing farm inputs. In the first instance, the stores have been built for fulfilling the requirements of farmers. It is, however, facing problems in the procurements of the essential farm inputs due to time-consuming procedures involved in imports. The custom duty adds to the cost of imported farm inputs. It is necessary for the government to grant subsidy for lowering the cost.

JCO assigns great importance to the supplies of farm inputs. It earmarked JD 21,860,742 in 1987.¹ The efficient marketing system has yet to come up. There is no doubt that JCO has to play an important role for marketing system in the coming years.

Training and Education:

Training of the JCO staff and the managers, committee and members of the Jordan cooperative societies is organised by the Jordan cooperative institute which operates as Organisation. The activities of the cooperative institute have been assessed so as to give maximum priority to the ongoing operational training requirement and the development

1. Statistical year Book, Jordan Amman JCO 1988.

establishment and management of processing and manufacturing units.

The JCO has taken measures to check diversion of funds. It monitors information through inspection teams; on the basis of the report by experts, the loans are released by instalments.

However, the financial resources at the disposal of the JCO constitute a major constraint on its capacity to fulfil the financial requirements of the cooperative societies. Its resources comprise the capital, reserves and the loans and advances both from internal and the external sources. It is necessary that the JCO should expand its banking activities of accepting deposits of money and providing remittance facilities to augment its financial resources.

The procedures and rules of lending and investment by the JCO are too rigid to allow flexible approach to financing the cooperatives. In the first instance, it strictly follows the conventional principles of lending, viz., safety, capital and capacity besides the security which should be liquid. It is beyond the means of marginal borrower to fulfil the conventional principles. Instead, the merit of the project should be the basis for the loans. It is also

needs of the next few years. Plans for the immediate future include:

1. Short Course (one or two weeks) for the field staff with mainly agricultural experience, in financial accounting and in farmer credit counselling.
2. Management courses of similar length for JCO district staff and society managers.
3. A series of one-day school or conferences are being held in various parts of the country. These are attended by society members, JCO staff of the other ministries and institutions as well as the committee and manager of the society operating in that area.
4. The mobile cinema is in constant use and has a full-programme constant use and has a full-programme for the rest of the year.
5. Directors of the districts meet each month in Amman to discuss the implementation of local, national and overseas training with the director of the training institute. This is one item of the agenda of their regular monthly meetings.

6. Evaluation, and the follow-up visits to course participants are part of the field departments regular routines.

Supervision and Audit Services:

The Jordan cooperative organisation is responsible under the cooperative law for the supervision and audit of all registered cooperatives. It maintains qualified auditors in the field and has a section in headquarters which keeps the official copies of societies accounts. The Head quarter Staff also scrutinises committee minutes and the minutes of general meeting and arranges for JCO staff to attend when important matters are being discussed or when particular problems have to be put to the members or the committee.

In conclusion, the Jordan Cooperative Organisation (JCO) has to promote and develop cooperative societies in the rural and the urban sectors. As an apex body, it functions within the parameters furnished in the five year plans. Its management comprises representatives both from the Government and the cooperative societies so that there is convergence of the views of the planners and the users of the facilities, viz., the cooperative societies. Of course, the

Chairman of the Board is nominated by the Government. He has vast powers for effective management of the JCO.

The multi-faceted objectives of the JCO indicate that the main objective is all-round progress and prosperity of the rural areas. It is under obligation to develop the agricultural and the non-agricultural cooperative societies. Credit to farmers for adopting modern techniques of farming alone cannot be effective to provide job opportunities and raise the living standard of the people in rural areas. Therefore, it assist, the marketing cooperative societies so that the middlemen are removed. The benefit of agricultural development are shared both by the consumers and the farmers. Likewise, the processing and manufacturing units are being developed in those areas which are traditionally backward in Jordan due to limited tracts of fertile land. The Housing Cooperative Societies have also been given preferential treatment by the JCO so that every family has a good dwelling besides the means of living.

To make the projects practically feasible, it has widespread network to assist the borrowers in the formulation of projects and their implementation. It is fully equipped to render the technical assistance to the borrowers in the

desirable to do away with the requirement of applications to be submitted by the borrowers direct to the Head Office or to the branch office after due compliance with the rules. The cooperative societies should be vested with the power to invite applications and dispose them off. The JCO, as a promoter of the developmental activities and financier, should, of course, exercise due control on cooperative societies. It would spare the individual borrowers the inconvenience and cost in terms of time and money. These suggestions would be conducive to streamlining the functioning of the JCO.

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CHAPTER-V

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ROLE OF JORDAN COOPERATIVE BANK

IN FINANCING COOPERATIVE SOCIETIES

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CHAPTER V

ROLE OF JORDAN COOPERATIVE BANK IN FINANCING COOPERATIVE SOCIETIES

In the preceding chapter, it was discussed that credit predominates the main functions of Jordan Cooperative Organisation. The provision of loans and advances has been entrusted to its affiliate, The Jordan Cooperative Bank. The role of Jordan Cooperative Bank is being examined in the present Chapter. Jordan co-operative societies provide institutional support for the development of national economy. The development of rural economy in Jordan is spearheaded by the cooperatives. Rural economy contributes substantial part of the national income. It is a serious problem of the country to raise living standard of the masses in rural areas and to stem migration of rural population to cities in search of jobs. Better job opportunities and the higher living standard can be realised when there is a specialised credit institution to finance the projects for modernisation of agricultural activities and to develop the non-agricultural sector there.

With this objective in view, the Jordan Cooperative Bank has been established in 1971 as a subsidiary of the

Jordan Cooperative Organisation (JCO). The Act was ammended in February, 1977, to allow the Bank to perform the commercial banking functions.¹ The Act specifies its objectives to promote and develop the cooperative movement in the Kingdom. It highlights the importance of the cooperatives in Jordan. In India, as also in other developing countries, the Royal Commission on Agriculture (1915), and later on the Survey Committee (1954), heralded cooperatives as the bearers of the future. "If cooperation fails, there will fail the best hope of rural India", observed the Royal Commission on Agriculture. It holds good for most of the developing countries. Therefore, the Jordan cooperative Bank is stipulated to provide loans and assistance for the projects specially in the cooperative sector.

To develop agricultural activities alone in the rural areas would run counter to the objectives of reducing pressure on land and raising standard of living of the masses. Keeping in tune with the main objectives of the cooperative movement, the Bank is obliged to encourage and render financial assistance to small industries and handicrafts in villages at concessional rates. It is a part

1. Malkawi Hekmat, T. Farroni, Jordan Cooperative Movement, Jordan Cooperative Institute Jordan, Amman, 1990, p.55 (Arabic).

of the integrated scheme to develop manufacturing and processing units in the rural sector.

The development of allied activities become part and parcel of the strategy for development of rural economy. It therefore takes care of the needs of the agricultural cooperatives, viz., the marketing and processing units. Since Jordan is saddled with millions of homeless from occupied Palestine, the Housing Cooperatives have access to the Jordan Cooperative Bank.

The performance of the Jordan Cooperative Bank and the financial resources are intertwined issues. The Bank has funds of permanent type in the form of own capital and reserves, loans and advances from the Central Bank of Jordan. The Jordan Cooperative Organisation mobilises foreign loans in United Kingdom, West Germany, Saudi Arabia, Iraq, etc. These funds are placed at the disposal of the Bank to finance capital formation in the rural sector.

To fulfil the recurring financial requirements of the cooperatives, the Bank is empowered to augment its short-term funds by performing the commercial banking functions. It accepts deposits of money from public and provides remittance facilities by draft, order, cheques and otherwise. It functions as agent for the public who desire to invest in

shares, debentures and bonds of the government and private organisation. The commercial banking functions are the sources of additional income to the Bank.

The Jordan Cooperative Bank is the apex financial institution in the country. Its functions are extended to control, supervise and regulate the lending and investment activities of the cooperative societies. For the purpose, the Jordan Cooperative Organisation furnishes complete information to the Bank about the financial position of all the cooperative societies to the Bank. This information is used by the Bank to assess the credit worthiness of each cooperative society to determine the overall credit limit. To impart a sense of financial discipline and exert a sobering pressure on the borrowing cooperatives, it is necessary for the cooperative societies to hold deposits on Current Account with the Bank. It becomes one of the conditions of the eligibility for loan to a society. Besides, the growing deposits of a society with the Bank is also the measure of its efficiency. The Bank is able to pool liquid funds to meet financial requirements of the cooperatives in deficit areas. The surplus is no longer idle and nor are the deficit areas allowed to languish for paucity of funds.

However, its functions include its role in the development of capital market in the country. In other words,

the cooperative financial and banking system is an integral part of the national money and capital markets. Therefore, the Jordan cooperative Bank is also allowed to participate in the capital market as a guarantor and underwriter. It also makes investments in the stocks quoted on the stock exchange. However, the Bank has to seek prior approval of the Ministry of Finance before entering the capital market. The limitation on its jurisdiction to function in the capital market is to safeguard the vital interest of the cooperative movement. In other words, the promotion and development of the cooperative movement is over-riding consideration before the Bank. Similarly, investment of funds in other financial institutions by the Jordan Cooperative Bank has to be in accordance with the Cooperative Law No.55 of 1968.

The effectiveness of the Jordan Cooperative Bank lies in the quality of its organisation and management. General Manager is the chief executive of the Bank. He is responsible to implement the policies of the Board. Deputy General Manager looks after the activities of all the sections of the Bank, i.e., the Administrative Section, the Finance Section, the Loan Section and the Accounts Section. The Administrative Section is concerned with the management and administration of all the other sections of the Bank. It controls and supervises the operations of the different sections of the

Bank. Its employees are recruited, placed and promoted by the Administration of the Bank. It takes initiatives to provide all the necessary services to the public.

The Finance Section performs the commercial banking functions, e.g., the mobilisation of deposits, remittance services and agency functions.

The Loan section makes loans and advances and manages the recovery of loans. It makes periodical report about the outstanding loans to the management for review.

The Accounts Section prepares the annual budget of the Bank, maintain the books of accounts, makes a review of the liquidity position and presents the fund-flow statements to the management.

The Jordan Cooperative Bank has a net-work of branches to mobilise savings and provide loans to cooperative societies in different parts of the Kingdom. The bank has eight branches, iz. Amman, Karak, Irbid, Zarqa, South Shuneh, Deir 'Alla, and Mufraq, etc. The Branches of the Bank implements the instructions and policies of the Bank in matters of utilisation of loans by the cooperative societies in their areas. Computers have been installed for quick processing of loan applications and their disposal. The Bank

takes every possible care to improve efficiency of its branches. It includes the training programmes of the employees at the Training Institute of the Jordan Cooperative Organisation and at other Commercial Banks as well.

The Jordan Cooperative Bank provides loans to cooperatives according to the rules and procedures specified by the Jordan Cooperative Bank Organisation and those contained in its own Act No. 20, 1971. The Bank provides the following three types of loans:

1. The seasonal loans to Agricultural Cooperatives and the short-term loans to other cooperatives for a maximum period of 14 months.
2. The medium term loans for a maximum period of 7 years to finance a new project.
3. The long-term loans for the maximum period of 15 years to finance capital formation in the cooperative sector.

The bank is authorised to sanction loans to borrowers on the basis of the application duly processed and approved by the Jordan Cooperative Organisation. It is necessary for the Bank to scrutinise the applications for loans carefully. In the first instance, the value of the security furnished by the borrowers should be assessed. The amount of the loans should not exceed the value of the security. The

Bank should also examine the documents of mortgage carefully. Besides, the Bank must see to it that the loan is guaranteed by all the members of cooperative societies. These rules have been incorporated in the Act so that the Bank is able to recover the loans from the sale proceeds of the mortgaged property in case of default in repayment of loans and payment of interest.

As a matter of convenience, the applications for loans are classified into different categories on the basis of the period and purpose of the loans, viz., the seasonal/short-term loans, the medium term loans and the long term loans. The classified applications are forwarded to the Administrative Section of the Bank for approval. The actual issue of the loan is subject to the approval by the General Manager and the Board of the Bank. It is worth noting that the Bank does not provide loans direct to the members of the cooperative societies. The Bank sanctions loans to the Cooperative societies. And the cooperative societies disburse credits to their members. However, the Bank controls and supervises actual distribution of loans through reports and recovery schedules of the loans. The same rules are applicable to the non-agricultural cooperative societies. Further, the share capital and reserves of individual cooperative societies is the basis to compute the overall

limit of the loans. The loans to societies cannot exceed 5 per cent of the share capital and reserves of the borrowing cooperative society. However, the loans to the agricultural and the multipurpose cooperative societies would not exceed 15 per cent of the share capital and the reserves.¹ The rule is, in this sense, liberal for the loans to agricultural and the multipurpose cooperative societies. It is the responsibility of the Audit Department to ensure conformity of practice with the rules and procedures. The Board of Directors are also required to convince themselves that the loans are sanctioned in accordance with the Act. The Board gives its approval for loans when it is fully satisfied that the rules are properly observed.

The loan applications should be accompanied by the life insurance policies of individual members as a security.

It is stipulated that loan to an individual member would not exceed JD 200, The upper limit of the loan is stipulated to provide benefit to maximum number of members of the cooperative societies.

1. Malkawi, Hekmat and T. Farooni, Jordan Cooperative Movement, Jordan Cooperative Institute, 1990, Amman, Jordan, p.56.

The Act also specifies rules for recovery of loans. It requires that the Bank should issue one month notice to the cooperative societies and the individual borrowers for repayment of the loans on due date. Action is taken by the JCO and the Bank against defaulters.

Working of the Cooperative Bank:

The Cooperative Bank is a wholly owned subsidiary of the Jordan Cooperative Organisation. The bulk of lending funds come from the accumulated reserves of the JCO and the Central Bank of Jordan. Smaller amounts come in the form of loans from the U.K. Government, the West German KPW Bank and from Arab countries, such as Iraq, Saudi Arabia, etc.

Lending operations have been mainly concentrated in the agricultural sector for small farmers. Approximately one-half of the outstanding loans are for seasonal period (i.e. up to 14 months), and the other-half for medium and longer term credit generally for less than five years.¹

Loans are merely one part of a package which includes farm planning, extension advice as well as financial and commercial information services. Seasonal Credit is made

1. F. Howarth, The Cooperative Movement in Jordan, Year Book of Agricultural Cooperation, Oxford-1979.

available to a cooperative on the basis of the farm plans agreed to with the manager and the JCO district and HQ staff. Each member's involvement is determined by his record as a farmer and as a member of the cooperative. The manager is responsible for aggregating the needs of each of the members for seeds, chemicals, fertilizers and small farms equipments and these are negotiated each year for each society.

Medium term credit, i.e. loans for longer than a year, but not for more than nine years, are made on the basis of a technical appraisal of the proposal uses by managers with the help of the Ministry of Agriculture and staff and the audit (accountancy) staff of the JCO. These applications pass through the district directors to the HQ. Technical and project staff who advise the financial committee of the JCO are responsible for approving loans. District Directors often reject applications if the information is insufficient to support the loan request or if some other aspect of the loan procedures has not been met. When this is done the director meets the farmers or the society concerned to explain the rejection and help plan and present their project.

Long-term loans are, in general, only made to cooperatives and not to individual farmers. To qualify for consideration, a society must have funds deposited with the JCO to cover a proportion of their needs. Long-term loans are

TABLE 22

JORDAN COOPERATIVE ORGANISATION
DEVELOPMENT OF COOPERATIVE BANK
WEST BANK 1972-81

(JD)			
Year	Assistance and Loans	Payment of Loans	Issue of Loans
1972	-	-	410,089
1973	443,355	328,500	524,944
1974	561,550	407,746	678,748
1975	1,156,384	508,538	1,326,594
1976	2,205,688	120,919	2,611,363
1978	2,989,432	1,930,663	4,402,044
1979	4,051,929	2,082,152	6,371,821
1980	5,572,648	2,767,634	9,176,835
1981	5,279,839	3,197,905	10,643,999

Sources: Jordan Cooperative Movement (1952-82), Jordan Cooperative Organisation, Amman, Jordan, 1982.

now only made with long term funds provided for that particular type of lending.

A synoptic view of the Jordan Cooperative Bank is presented in the Table 22 during 1972 and 1981. During the period of nine years, the Bank has extended assistance and loans at accelerated rate. The figures furnished in the table reveal that the amount of the assistance and loans increased from JD 443.355 in 1973 to JD 5,279.839 in 1981 a phenomenal increase in the loans and assistance. In other words, the pace of modernisation in Jordan in the priority sector (agriculture, manufacturing and transportation) has been spearheaded by the Jordan Cooperative Bank to a large extent. However, the payment of loans and issue of loans do not compare well, as evident from the table. The payment of loans (actual utilisation of loans) was JD 328.500 in 1973 which increased to JD 3,197.905 in 1981. Though it is increasing rapidly but to match the 'issue of loans'. For instance, the issue of loans in 1973 was JD 524.944 which increased to 10,643.999. The borrowers could utilise 30 per cent of the loans issued. The reasons underlying low utilisation of the loan are traceable to procedure and the strict rules of recovery of the bank in addition to the low productive activity of the small borrowers in the country. It calls for suitable modification in the rules so that the

TABLE 23

INDICATORS OF REVENUE STRUCTURE — 1988-89.

Indicator	Grand Total		Sub-total		Component	
	89	88	89	88	89	88
Revenue Structure						
Loan's Interest:						
Total Revenue			10.1	44.3		
Head Office					100	100
Credit Interest:						
Total Revenue			79.7	47.7		
Head Office					63.3	65.4
South Shuneh					7.7	8.9
Deir Alla					4.8	4.9
Irbid					6.0	5.4
Zarqa					3.6	3.9
Mafraq					12.8	11.5
Karak					1.1	-
Azraq					0.7	-
					100	100
Commission:						
Total Revenue			9.3	6.9		
Head Office					44.3	45.7
South Shuneh					18.1	11.2
Deir Alla					11.6	9.6
Irbid					4.3	3.9
Zarqa					5.7	2.7
Mafraq					12.9	26.9
Karak					0.1	-
Azraq					3.0	-
					100	100
Other Revenue						
Total Revenue	100	100	0.9	1.1		
Head Office					96.2	75.6
South Shuneh					0.8	1.1
Deir Alla					0.8	0.4
Irbid					0.5	2.7
Zarqa					0.7	1.9
Mafraq					-	18.3
Karak					1.0	-
Azraq					-	-
					100	100

Source: Statistical Year Book 1990, Jordan Cooperative Organization, Amman, Jordan, 1990.

small borrowers do not get discouraged by the stringent rules of procedure related to the recovery of the loans, etc.

Financial structure of the Jordan Cooperative Bank :

The share capital of the Jordan Cooperative Bank is JD 1 million. The entire share capital is subscribed to by the Jordan Cooperative Organisation (JCO). Besides, the external loans raised by the Cooperative Bank amounted to 11 million as at September 31, 1988. The internal sources also generate surplus which the Bank utilises to provide loans and assistance. The internal sources comprises the loan's interest, credit interest and the commission for the miscellaneous services as well as other forms of income. The Table 23 furnishes an insight into the revenue structure of the Jordan Cooperative Bank from internal sources. As of the loan's interest, the Head Office receives the entire amount of the revenue because it supplies the loans. The loan's interest as a proportion to total revenue decreased from 44.3 per cent in 1988 to 10.1 per cent in 1989. It accounts for decline in the lending and investment activities of the Bank on the one hand and expansion in the flow of income to the Bank from other sources, viz., short-term credit and the commission for services which the Bank render to the member

TABLE 24

III - FINANCIAL INDICATORS OF THE COOPERATIVE
BANK ACTIVITIES DURING 1988, 1989*
INDICATORS OF THE FINANCIAL STRUCTURE

Indicator	Grand Total		Sub-total		Component	
	89	88	89	88	89	88
Financial Resources'						
Ratios						
Deposits and Current						
Accounts:						
Total liabilities			40.1	41.5		
External Loans:						
Total liabilities			29.6	31.6		
Central Bank Advances:						
Total liabilities			13.6	16.4		
Share capital:						
Total liabilities			4.2	4.2		
Other Financial						
Resources:						
Total liabilities			12.5	6.3		
	100	100				
Utilization of Financial						
Resources Ratios						
Societies loans:						
Total Assets			44.5	48.0		
Outstanding loans:					36.6	49.9
Societies loans						
Loans due:					63.4	50.1
Societies loans						
Direct facilities:						
Total Assets			33.9	28.0		
Advances: Direct					13.2	21.7
facilities						
Overdraft: Direct					72.6	71.8
facilities						
Overdrawn: Direct					14.2	6.5
facilities						
Cash in hand and banks:						
Total Assets			6.7	10.5		
Cash in hand: cash					20.3	11.4
in hand & banks						
Cash in banks: cash					79.7	88.6
in hand & banks						
Fixed Assets:			0.3	0.2		
Total Assets						
Other Utilization:			14.6	13.3		
Total Assets						
	100	100				

Source: Statistical Year Book 1990, Jordan Cooperative Organization, Amman, Jordan, 1990.

societies by way of consultancy and the construction activities, etc.

Looking at the revenue from the interest on short-term credit, it constitutes the major source of revenue for the Bank, viz., 79.7 per cent in 1989. Besides, the revenue from this sources has been expanding rapidly, e.g., from 47.7 per cent in 1988 to 79.7 per cent in 1989. It indicates that the Bank is mainly catering to the short-term credit needs of the borrowers.

The revenue from commission and other services is not a significant part of the total income of the bank viz., 10.2 per cent in 1989. The structure of the revenue from internal sources suggest that the Bank should reorientate its lending and investment policies to generate surplus from long and medium term financing. The loans should be stopped up to add to the productive capacity of the economy.

The Bank's ability to provide credit is circumscribed by the types of the financial structure it has. The table 24 brings it out that the Deposits and the Current Accounts are the major components of the financial structure of the Jordan Cooperative Bank; it was 41.5 per cent in 1980 as compared with that of 40.1 in the succeeding year, 1989. The declining

TABLE 25

INDICATORS OF COST STRUCTURE

Indicator	Grand Total		Sub-total		Component	
	89	88	89	88	89	88
Cost Structure						
Interest & Commission						
Total Cost			86.0	53.3		
Head Office					87.8	84.9
South Shuneh					3.9	5.9
Deir Alla					1.8	2.6
Irbid					2.3	2.5
Zarqa					0.8	1.6
Mafrag					2.8	2.5
Karak					0.3	-
Azraq					0.3	-
					100	100
Administrative Cost:						
Total cost	100	100				
Wages salaries:Total			73.9	45.4		
administrative cost						
Head Office					50.3	54.0
South Shuneh					7.6	7.3
Deir Alla					6.9	7.8
Irbid					8.9	9.5
Zarqa					10.0	10.3
Mafrag					11.5	11.1
Karak					3.5	-
Azraq					1.3	-
					100	100
Depreciation total:						
Administrative cost			5.1	3.7		
Head Office					27.7	22.8
South Shuneh					14.6	2.1
Deir Alla					2.3	29.1
Irbid					8.9	7.6
Zarqa					14.7	23.8
Mafrag					33.5	14.6
Karak					5.8	-
Azraq					2.5	-
					100	100

Other Administrative Cost			
Total Administrative Cost	21.0	50.7	
	100	100	
Head Office	40.7	89.8	
South Shuneh	4.3	-	
Deir Alla	5.8	1.6	
Irbid	7.1	-	
Zarqa	1.8	0.8	
Mafraq	23.4	7.8	
Karak	2.3	-	
Azraq	4.6	-	
	100	100	

Source: Statistical Year Book 1990, Jordan Cooperative Organization, Amman, Jordan, 1990.

share of the Deposits and the Current Accounts is accounted for by increasing reliance of the Bank on External Loans; its share was 29.6 per cent in 1989 as against the 31.6 per cent in 1988. The Bank avails of the Central Bank Advances to augment its funds. The Central Bank Advances accounted for 16.4 per cent of the total funds in 1988 and 13.6 per cent in 1989. However, it is a critical financial structure of the Jordan Cooperative Bank that the share capital is not being stepped up; it remained constant at 4.2 per cent during both the years 1988 and 1989. It is necessary that the Bank should raise more share capital. To be viable it is necessary to have a judicious proportion of internal sources to the external liabilities. Therefore, capital and reserves must be stepped up and the cost of borrowings should be held within reasonable limits.

Table 25 furnishes cost indicators of the Jordan Cooperative Bank. The interest and commission paid to other agencies accounted for 53.3 per cent in 1988 and 86.0 per cent in 1989. However, it can be held down if the Bank's reliance on external sources gets reduced. Likewise, in the cost structure, the wages and the salaries account for 73.9 per cent of the variable cost of the Bank in 1989. The other administrative cost was 26.1 per cent (including depreciation). Accounting practices indicate that the

depreciation is not the outflow of funds; instead, it is the part of the surplus retained by an organisation to augment its funds for financing its activities.

The different cost components outlined in the table suggest that there is scope for rationalising the cost structure. It is necessary to economise on the interest by tapping the economical sources of external loans. There is need to rationalise the administrative cost by improving efficiency and undertaking horizontal expansion in the number of branches. It will be conducive to increasing the volume of lending and investment for more revenue to flow in. It will also improve the economic viability of the Bank if more resources are generated internally.

The funds available and assistance to cooperative Bank have been utilised in loans and assistance to cooperative societies and to individual borrowers. The loans and assistance put together constituted 76 per cent in 1988 and 78.4 per cent in 1989. The rest of the funds are held by the Bank as Cash in hands and Banks. It is traceable to the banking habits of the people. The bank would be able to reduce the cash in hand and banks if the banking habits of the people are fully developed. The liquidity of such a magnitude has crippling effect on the ability of the bank to

generate resources for further lending and investment in the economy.

According to Jordan Cooperative Organisation's annual report for the year 1989. The Jordan Cooperative Bank had 99 employees at the end of 1989. Of them, there were 25 female employees. The bank seems to be understaffed to handle adequately the vast activities of lending and investment throughout the country. There is every reason to recommend expansion in the staff for comprehensive coverage of the entire country.

The Bank was operating 8 branches in 1989. These branches are located at Amman, Irbid, Zarqa, South Shuneh, Deir 'Alla, Mafrag, Karak and Asraq. It is hoped that the Bank should be able to increase the number of its branches in the future. There are two major bottlenecks in the expansion of the branches of the bank; the limited share capital and, secondly, the slow growth of deposits and current accounts.

Problems confronting Jordan Cooperative Bank (JCB)

Lending in rural areas is not an easy task. It requires considerable reorientation of attitudes, policies, procedures and styles of lending. it involves going out to people, and not waiting for them to walk in, winning their confidence so

that they will come out with their difficulties. The basic concept of modern banking is for a banker to work in his office where the customer is expected to approach him for a loan and other services. In most developing countries, small farmers and landless workers do not have the ability to go to the branch and complete all legal and procedural formalities. The banker who wants to reach the small farmer, has to go to him, not just with money, but with knowledge and some information on inputs and marketing. Credit delivery to such farmers can be greatly facilitated, if the right type of credit agents are developed, through a well-designed recruitment training programme, supported by a system of incentives and rewards. It is important that these agents are able to establish a relationship of trust, confidence and mutual respect with the potential clientele, and be willing to work under difficult conditions.

Of no small consequence is the fact that the rural people themselves have not been involved in the process of rural development. The man behind all these activities has either been ignored or not considered important at all. Thinking of rural development in terms of subsidies, incentives, credit and infrastructure, without actually preparing the borrower to serve the opportunity, is like growing a tree with all possible care, except improving the

quality of seed. What is lacking most in all the borrowers is entrepreneurial quality, which prevents the borrowers from venturing forth bravely. It is essential that potential borrowers are identified in advance and are given training in all aspects of management, finance and marketing. Some banks have already started providing assistance for entrepreneurial development, which is a step in the right direction.

Priority sector advances are mostly small and scattered. Reaching the target percentage-wise alone is not the end of the problem. Bank credit, if not properly utilised, will prove more of a burden than a boon. Target oriented approach leads to faulty appraisal. This in turn gives rise to the problem of tardy supervision and follow up, and consequent diversion and utilisation of funds. Besides, thinly spreading of resources over large areas is neither conducive to rural development, nor to optimum utilisation of available resources. It is essential for banks to adopt 'integrated area' approach.

Another off-shoot of target approach is that housekeeping is given secondary importance. Deterioration in the quality of service, and house-keeping in arrears is a common feature of most rural branches. As a result, scope of fraud has increased tremendously. Mechanisation will have to be introduced, wherever necessary, to improve house-keeping.

A manager of today is judged by what his followers do. There are three kinds of people those who make things happen, those who watch what goes on, and those who donot know what has happened. The Manager of the situation known what is happening and also helps things happen. A manager has to well-equipped with the tool of environmental analysis for the purpose of forecasting and planning which is now an accepted part of forward looking and intelligent banking. Environmental analysis relates to an analysis of environmental factors which effect the banker both directly and indirectly. As such, he has to be acquainted with a bit of sociology and economics. In a rural set-up, apart from farmers and government bodies, one has to deal with

- (i) the leaders
- (ii) the business units
- (iii) the money lenders

These three types of people are capable of influencing, favourably or unfavourably, any programme of change. Although, they are the potential customers of the bank, they can also create bottlenecks for any developmental programme. The business community, by nature, does not seek to save, but always tries to influence programmes in their favour. Money lenders on the other hand are defensive and critical of the

strategies of a rural bank. Leaders, in a rural set-up constitute a very heterogeneous group, leaders can broadly be grouped under four categories, namely traditional, religious or caste, political and opinion leaders. While the first three types are easily identifiable, the opinion leaders do not seek to lead, but their opinion is very important in rural banking. It is upto the bankers to handle them carefully and give them considerable importance.

There is, however, one basic problem affecting rural development in general and agriculture credit in particular, concerning the role of co-operatives. It is often argued that rapid development of co-operatives can not be very difficult, since for many centuries cooperation has been in the habit of rendering mutual assistance. It is often expressed 'Cooperation is in their blood'. This convention has often led to bitter disappointment. Traditional rural community has never been an essentially economic unit. The 'home economicus' as distinct from 'homoe politics' is a comparatively new concept still foreign to traditional societies. Mutual ties which bind farmers are more social than economic in nature. This strong social coherence, which limits to a large degree, the personal freedom of the members, is reflected in the obligation of rendering each other assistance in all sectors of life, religious, social and

economic. The social ideal is, therefore, conservation and stability, and not economic progress. The traditional rules, habits, techniques of agriculture and crafts represent the ideal pattern to which any member of the community should conform his behaviour. In such circumstances, conformism is a social virtue, and any personal initiative which deviates from the sacred tradition is a vice. Further, a traditional rural community has a wide range of elective legal and social sanctions to protect its stability and equilibrium. A traditional rural community is, therefore, not fertile for innovations; it cannot provide foundation for construction of modern socio-economic organisations. It is, therefore, hardly surprising that 40 years after the Maefagan Committee had observed, if co-operation fails, there will fail the best hope of rural India', the survey committee was constrained to observe that 'co-operation has failed, but it must succeed' and even today we have to say the same thing.

Another concept on which some rethinking is necessary is the true nature of the legitimate credit needs of farmers. The prevailing idea a lack of understanding of the knowledge of the proper productive use of credit, coupled with his inherited propensity to borrow heavily for consumption purposes, makes him inclined to misuse institutional credit and to borrow much more than is good for him. But the idea

that legitimate credit needs are synonymous to credit needs for clearly productive purposes is a frequently occurring misunderstanding. As long as agriculture is not a business, but a way of life, cost price is a fiction and farm and household expenditure form an inextricable knot, it is impossible to draw a more or less sharp border line between credit for productive and credit for consumption purposes. The attempts by bankers, to impose their dogmatic views on the borrowers, therefore, arbitrary, serve no useful purpose, fail to be in the interest of a wide distribution of rural credit and incompatible with a sound loan policy. If a borrower finds that he cannot obtain the kind of credit he needs, he will tender a prefabricated loan application to get whatever he can and then misuse it. As long as the prevailing mentality of the average farmers remains what it is, rejection of loan application for non-productive purposes will ultimately drive him to the money lender, whereas a wiser and more lenient credit policy can prevent this. This is not to suggest that consumption loans should be given priority over productive loans. Consumption loans should never exceed the minimum needed under the prevailing circumstances and should be related to the repaying capacity of the borrower. A well devised credit policy should make allowance for all legitimate credit needs of farmers.

Suggestions

It is often assumed that by bringing together weak producers or consumers, necessary and sufficient conditions have been created for a good society. Nothing can be farther from truth unless the professional element comes in, a society is handicapped from the start if it is dependent permanently on government assistance. Closely linked to this aspect is the need for a dedicated non-official leadership which can take over the functions presently performed by government.

A crucial area in which urgent steps are required is in the matter of professional management. Professionalisation is the basic step in improving the working of village societies.

In the classical pattern, cooperative federalism is built from bottom upwards. Just as a primary cooperative comes into existence in order to provide services to its members, so do the higher tiers of cooperatives come into existence to provide services needed by the constituents at the lower tiers. Thus, in the classical pattern, cooperative organisations exist because they can provide services to their constituents. They owe their origin and strength to their constituents. By joining to create organisations at higher tiers, cooperatives are able to provide services which

they individually are unable to arrange. This gives the cooperatives the benefits of large-scale operations for services needed by them. Thus, in western countries, cooperatives are considered as truly voluntary organisations, almost a part of the private sector.

In Jordan, however, co-operative development has not followed the classical pattern. Co-operation is always described as a state policy rather than a spontaneous growth. State partnership has always been the dominant feature of co-operative movement, because, as the Rural Credit Survey Committee (1954) observed, the poor have no chance against the entrenched interests of the rich unless they are powerfully supported by the strength of the state. This has often led to the establishment of co-operatives at higher niche in the first place. Many of the National Federations owe their origin to the initiative of the Government. No wonder, therefore, that these federations look upon themselves, as independent entities and upon profit through commercial operations as an index of their performance. This however, runs counter to the co-operative principles of self-help and mutual help.

A 'co-operative commonwealth' can not come into existence where the national federations, state federations and the co-operatives do not constitute a mutually supported

system but exist as separate and independent entities. If the co-operative movement is to develop fully its potential, a systematic re-appraisal of the structure of co-operative federation is needed in this country.

Even in the overall strategy for economy there is a great emphasis on modern technology, and productivity but the constraints that prevent the Jordan co-operative Bank have not been examined in depth. Thus, there is a need for very proper stress on co-operative banking and its link-up with public sector agencies. But there does not appear a corresponding stress on co-operative federation. A greater stress on co-operative federalism would result in a more balanced plan.

Agriculture has not achieved a break through. Adoption of new technology, use of high yielding varieties of seed, increased irrigation facilities, drought and flood prevention methods could boost the agricultural production. However, the farmer is not in a position to realise the gains of increased production. We have in fact a peculiar situation where neither the producer nor the consumer has anything to do with the fixing of price for agricultural produce. It is middle-men who fixes the price. To enable the farmer to realise the gains of agricultural production, he should be provided with

institutional marketing facilities. The Jordan Cooperative Bank has to play a critical role in the development of marketing facilities.

The future of the Jordanian farmers depends upon the credit infrastructure that will support the agricultural production. Mere increase in loans does not improve the economic conditions of the farmers. In fact the Bank must widen its network to finance production technology. And here, co-operative movement is the only way to provide an institutional arrangement, to solve the problems of the farmers. In future, the co-operatives will be operating in an environment, characterised by control and competition from private and public sector. Survival in such a situation will depend upon efficiency, productivity and service. For this, the co-operative must develop processing and storage facilities. They should have strong capital base, professional management and well-trained professional personnel. They will also have to have innovative leadership, characterised by commitment. The Jordan Cooperative Bank should take up the plans to accelerate modernisation of rural economy.

In conclusion, in the beginning of the 21st century, the perceived role and shape of Jordanian Coopertion Bank in financing cooperation societies should be as follows:

Emphasis should shift from paying exclusive attention to credit co-operatives and more efforts will have to be directed to build up marketing, processing and industrial, co-operatives.

The federal character of co-operatives has got distorted in all sectors including credit, marketing, consumers, industrial co-operatives etc. It is necessary to establish proper linkages at various levels so that by the end of this century, we build the real federal structure of co-operatives. Particularly important could be the futuristic goal which should be to strengthen the national level cooperatives having a bearing on the assistance to be derived from the affiliated units and not by building up their own business. This scenario has got to change towards the turn of the century.

The primary purpose for which co-operatives were established, viz., helping the weak has not been achieved and they are mainly dominated by people who cannot be called representatives of the weaker sections of the society. In fact, in many states the weaker sections have been carefully kept out of the purview of the co-operative activity. The image of co-operatives as bastions of the rural affluent has to be changed and by the beginning of the century the cooperatives should really be institutions which would be

working for the poor and managed by the rural folk.

The Jordan Cooperative Bank should not be hindered by restrictive practices in lending and provision of advances. The agricultural activities alone are not capable of reducing the pressure on land and raising the living standard. It should encourage small industries, handicrafts in villages by providing loans at concessional rates. Development of production and marketing units should be an integral part of the plan strategy for the development of the rural economy. The funds of the Banks constitute a serious constraint on its efforts to finance the development of the rural economy. It should look for alternative avenues for tapping the funds to provide liberal loans for capital formation on easy terms. The Jordan Cooperative Organisation has the access to the foreign capital market for external loans. These funds are not adequate to cater to the needs of the rural development. The internal resources should be exploited intensively. It would also be worth considering to make suitable changes in the rules and procedures about the loans. There is too much reliance on the provision for safety of funds and liquidity. When the aim of the Bank is to modernise the rural economy and help the small and marginal farmers, it would be desirable to do away with stringent conditions of the security and capital-reserve ratio to loans. Their efficiency

should not be measured in terms of the deposits on Current Account with the Jordan Cooperative Bank or the expansion in the capital and reserves; it should be expressed in terms of the projects they take up for implementation and their spread effects. These corrective measures would go a long way in paving the way for the rural economy to take off.

CHAPTER-VI

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COOPERATIVE AS INSTRUMENT OF

AGRICULTURAL DEVELOPMENT IN JORDAN

CHAPTER-VI
COOPERATIVES AS AN INSTRUMENT OF AGRICULTURAL
DEVELOPMENT IN JORDAN.

The foregoing chapter has highlighted the role of the Jordan Cooperative Bank. The effectiveness of the apex institutions hinges upon the working of cooperative societies as an instrument of agricultural development. The present chapter analyses the role of cooperatives in the development of agriculture. It highlights the problems of agricultural development and sheds lights on the shortcomings of the cooperative movement as well. Cooperative movement is oriented towards the development of agriculture since its inception. Agriculture is the basic industry which has not kept pace with economic development of Jordan. To give impetus to the development of agriculture, the cooperative movement in Jordan was started in 1952, and the first cooperative law No.39 was issued in that year. In 1953 the Cooperative Rules Decree was issued. It was amended in 1956 by law No.17 of that year. Most of the rules in the 1952 cooperative law were taken from the Palestinian Cooperative Law of 1933. In 1952 the establishment of the Department of Cooperative Development marked the beginning of the

cooperative movement in Jordan. It was set up as patron of cooperatives.

A large number of cooperatives were registered in the middle-fifties. To help cooperatives to meet their needs (financial, commercial, or educational) efficiently, it was felt necessary to establish a specialised body independent from government control.

The Jordan Cooperative Central Union (JCCU) was established in January 1959. It was expected that the establishment of the JCCU would definitely help the cooperative societies, not only as a central financing institution, but also as an institution for the provision of services, such as supply, marketing and processing.

The pressing need to establish a sound and continuous training programme for cooperative employees-induced the JCCU and the Department of Cooperative Development (DCD) to establish the Co-operative Institute (CI) in 1963.

Auditing the accounts of primary societies was one of the main tasks of the JCCU, but it became clear that auditing should be separated from the banking institution. Therefore, Jordan Co-operative Audit Union (JCAU) was registered on

January 1, 1964, as a secondary cooperative society.¹ Two years later, the cooperative Olive Oil Union was established to meet the needs of the cooperative olive processing and marketing societies.

It is evident from the above that the bulk of the cooperatives formed in Jordan before 1959 were mainly agricultural thrift and credit societies to save the farmers from the money lenders who used to charge exorbitant rate of interest on loans. Loans granted to cooperative farmers did not normally exceed JD 100 per farmer for one year.

In 1959, the Jordanian Cooperative Federation was established to supply loans, seeds, fertilizers and chemicals to farmers at reasonable prices. New types of cooperative were formed, such as olive processing and marketing transportation, rural electrification, multi-purpose, irrigation, animal production, marketing and craft and artisans cooperatives.

Between 1963 and 1966 more apex institutions were established: the Cooperative Institute, the Cooperative Auditing Federation, and Olive Processing and Marketing Cooperative Federation. The aim was to shift all the

1. Yousif A. Sayigh, *The Economic of the Arab World*, Biddles Print, Britain, p.209, 1978.

cooperative responsibilities to the private sector; only the registering of cooperative remained with the Cooperative Department of the Ministry of Labour and Social Affairs.

The establishment of several apex organisations like the Jordanian Cooperative Federation, the Cooperative Institute, the Cooperative Auditing Federation, and the Olive Processing and Marketing Cooperative Federation, resulted in rather intricate and somewhat complicated organisational set-up.

In 1967 the war between the Arabs and Israel resulted in the loss of more than 60 per cent of the cooperative societies in Jordan, those on the West Bank of the Jordan River, which closed operations; their outstanding loans are still frozen. Table 26 gives an account of this loss to the cooperative societies in Jordan:

In the late sixties, and particularly after the June war, field experience proved the need for a further evolution in the cooperative machinery of Jordan, especially with regard to improving the efficiency and integration of services rendered by the secondary central institutions mentioned above. To achieve this, provisional cooperative law No.55 in 1968 was passed. It stipulated the establishment of the Jordan Cooperative Organisation (JCO) as a private

TABLE 26

COOPERATIVES ON THE WEST BANK AS ON 1.12.1966

Types of Cooperatives	No. of Coops.	No. of members	Share Capital JD	Reserves in JD	JCO Loans to Coops.	Coops. Loans to members
Rural Thrift and Credit	143	6,431	44,244	90,043	21,738	342,051
Agricultural Coops.	13	359	28,572	3,632	26,669	11,883
Agricultural Multi-purpose	9	288	1,487	745	103,393	88,702
Agricultural Marketing	4	484	8,278	791	49,840	14,647
Agricultural Processing	7	1,389	19,469	1,194	132,164	-
Craft & Artisanal	8	238	3,003	4,354	30,089	2,954
Mutual Benefit	4	457	1,390	89	-	181
Transportation	9	790	24,496	2,923	13,269	-
Housing	12	630	60,516	1,174	87,644	51,492
Consumer	10	1,278	7,203	1,921	518	195
Electricity	2	921	17,174	93	14,397	-
Urban Credit & Thrift	13	944	8,501	4,455	9,570	29,206
Others	4	168	3,033	1,622	1,652	5,796
Total	238	14,377	227,366	113,076	490,943	547,107

Source: Duddin, M. "The Cooperative Movement in Jordan", an article published in Review of International Cooperative Movement, London, 1976, p.122.

institution handling all cooperative affairs in the country. The JCO has now virtually absorbed and consolidated by the previously existing cooperative bodies. The Department of Cooperative Development has been abolished and a number of its staff absorbed by the JCO.

The Cooperative Law No.55 in 1968 provided for the establishment of the Jordan Cooperative Organisation (JCO) as a semi-private, semi-government institution, handling all cooperative affairs in the country. The JCO absorbed the functions of the formerly existing apex organisations and government cooperative department. At the same time the most important sector of the cooperative movement, the agricultural cooperative were re-organised by amalgamation. Multi-purpose agricultural cooperative were formed to render a full spectrum of agricultural cooperative services.

As evident from the table 27, there is tremendous growth both in the number of societies and the Capital. The number increased from 42 in 1952-53 to 423 societies in 1987-88. The Capital and reserves of the societies swelled from JD 11,871 to JD 15819442 during the period under review. The same holds true in the case of members rising from 2000 in 1952-53 to 46572 in 1987-88.

TABLE 27

DEVELOPMENT OF THE COOPERATIVE MOVEMENT IN JORDAN 1952-87

Year	No. of Societies	No. of Members	Capital in JDs	Reserve Capital JDs
1952-53	42	2000	-	-
1953-54	50	2091	8641	3230
1954-55	69	3193	12337	6576
1955-56	134	6123	38697	11380
1956-57	161	8833	52016	23447
1957-58	209	11646	81901	39101
1958-59	247	14520	33086	56328
1959-60	255	15031	169290	57310
1960-61	335	21103	188555	84042
1961-62	428	29143	221792	124233
1962-63	589	30331	238564	166409
1963-64	636	30969	307667	151024
1964-65	688	44438	292808	173311
1965-66	702	43058	333035	190273
1966-67	709	43288	332754	210415
1967-68	716	43461	353217	215402
1968-69	710	42159	344688	239779
1969-70	680	43599	354889	237373
1970-71	695	44771	422921	246999
1971-72	295	16474	225260	198804
1972-73	218	10848	285796	139853

1973-74	214	12350	427295	161727
1974-75	236	15431	656458	203579
1975-76	254	18955	1076948	201299
1976-77	295	25562	2478459	690057
1977-78	296	28725	3425630	658607
1978-79	310	29605	5762864	667130
1979-80	327	32605	7016172	1367587
1980-81	359	35955	10954003	1697553
1981-82	389	39311	10302819	682149
1982-83	408	40311	9967401	828818
1983-84	406	42017	14015750	943575
1984-85	412	45115	15372476	1261415
1985-86	439	46482	17966235	1451501
1986-87	453	49376	15500346	1819368
1987-88	423	46572	13764346	2055096

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- Notes: (a) West Bank Cooperatives are included in the Table.
 (b) From 1966 onwards the statistics follow the calendar year of JCO
 (c) The drop in the number of societies and members from 1973 is due to the fact that 289 school cooperatives with about 15,000 members are no longer included in the figures; they are now supervised by a special section of the Ministry of Education.
 (d) From 1971 onwards number of cooperative societies only in the East Bank of Jordan.

Sources: Statistical Year Book, 1952-1989, Jordan Cooperative Organisation (JCO), Amman, Jordan.

However, one of the main handicaps of the cooperative movement was the lack of coordination between the leading cooperative bodies. The separate ambitions of some of the leading personalities of these institutions caused dissension within the movement. This situation led to a new cooperative law in 1968. The Jordan Co-operative Organisation (JCO) was established on the 15th August 1968. All other cooperative bodies the cooperative institution (CI) the Jordan Cooperative Auditing Federation (JCAF) became departments of JCO.¹

The unique institutional form which is used in Jordan allows Government to influence and to help the cooperative movement without undermining independent initiative of the farmers to prepare and execute the projects for progress and prosperity. The farmers have become familiar to the utility of modern practices since the inception of JCO as an apex Cooperative institution.

As a result, Contour ploughing of around 24,000 dunums of land has been achieved till 1976 by agreements amongst cooperative society members owning or renting adjacent plots. This has enabled the small and medium farmer, for the first time, to get the full benefit mechanisation, and improved

1. Sami Uddin , Cooperative Movement in the Arab World. Faculty of Commerce, A.M.U., Aligarh (India), 1982.

seed and fertiliser. The preparation of farm plans, provision of the inputs, etc, is undertaken by members of Cooperatives. For instance field experiments are conducted on the land of the Tobacco Cooperative members for monitoring results of modern techniques every year. The field staff is appointed by JCO for demonstration of modern techniques to farmers.

Besides, it is the main objective of cooperatives to stabilize and in some cases, actually to reduce the prices of agricultural inputs on the open market by direct intervention and bulk imports. As a result there is perceptible decline in the prices of farm inputs asked about the benefits derived from their cooperative were, reduction in prices paid for such as Ammonium Sulphate Compound fertilizer, containers and packages, Insecticides and Seeds. For all round development, the Cooperatives are establishing the processing units. Cooperatives are investing in agricultural processing such as olive oil pressing, feedmill/mixing, etc.

Encouraging individuals to join together to solve their own problems has resulted in the creation of assets of over 9 JD million industrial assets in agricultural sector. The processing units have paid up capital of JD 1675,000, reverse funds JD 42,0000 and deposits of JDI 224,000.

The cooperative societies are also trying to improve quality of life. Loans for education of children, payment of rent, medical treatment and other social needs are provided.

The Co-operatives have established vocational training centres for the children of members, kindergartens and schools. Loans are available to civil servants as well. Cooperative are operating petrol stations in the more remote (and less lucrative) rural areas. Five Cooperatives operate rural bus services. Animal feedmills have been set up in Karak and South Shooni to give small farmers in those areas the advantages of industrial development in rural areas. Previously, the big farmers were alone able to avail of these benefits.

For the first time in their life, many farmers now find themselves free to sell their produce in the market of their choice because they have received credit from the JCO rather than a dealer. Therefore, it is not surprising that, in some parts of the country cooperatives are springing up spontaneously.

As discussed earlier, the general strategy for cooperative development is based upon past experience in Jordan and in many other countries, and above all, on the

priorities set by the government's overall development plans. Experience has shown that the problems which are most difficult to overcome in the rural sector are those relating to the provision of capital to finance the borrowings and familiarise the farmers with new methods. There are two parts to this problem first the difficulty in persuading banks to lend to small farmers who have little or no security, and secondly the problems of management, control, and direction: Farmers are being persuaded to become members of cooperatives on the basis of their mutual interests. Each is provided with a full or part-time manager who is usually of agricultural degree level and whose salary is initially paid completely by JCO. Some societies are now at the stage where they can and do meet all the cost of their manager's salary. In fact a cooperative society should be fully self-sufficient within ten years of its registration. The period is based upon experience in Jordan and elsewhere which indicate its suitability for a new institution to really prove its worth and develop its services so that it receives sufficient support from people in its area to sustain its continuous growth. In general, unless there are some exceptional mitigating circumstances, cooperatives which do not develop within this time scale are liquidated after around five years.

TABLE 28

LAND USE BY EAST BANK COOPERATIVE MEMBERS COMPARED WITH TOTAL AREA CULTIVATED

District	Field crops			Vegetables			Fruits		
	District	Coops	%	District	Coops	%	District	Coops	%
Amman	522,718	83,438	18.9	22,821	20,082	88.0	78,875	20,670	26.0
Balqa	43,672	35,811	82.0	3,368	3,162	93.0	32,775	23,310	21.1
Irbid	829,105	165,823	20.0	57,785	18,085	31.2	240,011	52,802	22.0
Karak	382,280	234,332	69.9	2,917	2,235	80.0	20,340	17,289	85.0
Nab'at	51,225	52,908	58.0	408	242	60.0	3,899	2,535	65.0
Jordan V.	80,586	32,226	40.0	176,061	78,776	44.5	33,230	6,696	20.0
Total	1,959,570	614,538	31.3	263,976	122,682	46.4	408,232	123,252	30.1

Notes: In Balqa (Salt, Madaba and Karak the cooperatives cover all villages in the District, but this degree of coverage has not yet been reached in other districts).

One dunum equals one tenth of an hectare.

Sources: Jordan Cooperative Organisation, Amman, Jordan

TABLE 29
ANIMAL HUSBANDRY BY EAST BANK COOPERATIVE MEMBERS COMPARED TOTAL LIVESTOCK
(1976 AND 1977)

Type of Animal	1976		% 1976	1977		% 1976
	No. in Kingdom	No. in Coops.		No. in Kingdom	No. in Coops.	
Broilers	18,200,000	3,250,000	17	22,660,000	4,795,000	21.2
Layers	300,000	40,000	13	1,329,300	126,000	9.5
Foreign Dairy Cattle	10,000	2,000	20	7,288	1,724	23.8
Sheep	713,000	34,000	5	859,190	49,781	5.5

Sources: Annual Report, Jordan Cooperative Organisation, 1976, 77, Amman, Jordan.

The main thrust in recent development has been in the agricultural sector (in line with government's development plans). There are now over 11,662 members on 138 agricultural multi-purpose cooperative with a paid up capital of over JD 450,000 and reserves of over JD250,000. These cooperatives are providing full range of services including seasonal and medium term credit, agricultural supplies and technical services in close collaboration with the Ministry of Agriculture. Cooperative members are involved in all the main agricultural activities in Jordan, including fruit and vegetables, wheat, barley, tobacco, sheep and cattle rearing. Tables 28 and 29 give an account of the impact of cooperative agricultural sector. The Cooperative societies are growing 31.3 per cent of the main crops in East Bank, 46.4% of the vegetables and 30.1% of the fruits. It would be an ideal achievement of cooperatives when 100 per cent of small and marginal farmers are in their fold.

Likewise, the cooperative societies are responsible for the growth of live stock capital. For instance, Cooperative societies accounted for 21.2% of Broilers, 9.5% of Layers, 23.9 per cent of dairy cattle and 5.5% of sheep in the country.

TABLE 30
JCO LOANS TO COOPERATIVES 1973-75

(in JD)

Type of Loans	1973	1974	1975
Agricultural Seasonal	151,612	226,582	337,823
Agricultural Medium-term	24,135	75,809	387,321
Agricultural Long-term	15,000	-	29,363
Tobacco Seasonal	102,560	115,939	204,198
Non-Agricultural Short-term	48,165	116,127	72,602
Non-Agricultural Medium-term	1,500	27,993	18,475

Sources: Statistical Year Book, 1973, 74 and 75 Jordan Cooperative Organisation, Amman, Jordan.

There has also been a steady growth and consolidation of other types of cooperatives, including many successful urban-based savings and credit societies, artisans and craftsman societies and few housing cooperatives. There are 171 non-agricultural cooperatives with around 17,943 members.

Though the Cooperative societies are not having full coverage of farmers, these societies are the only institution for agricultural development. The supply of agricultural credit has been the main functions of cooperative societies since 1956. The JCO took over this function from ACC after its inception in 1968.

Table 30 shows the volume of loans to cooperatives in the years 1973-1975. Since 1974, there has been steep increase in loans to farmers. This is mainly the consequence of a more flexible credit policy. Though the bulk of loans is seasonal, agricultural medium-term loan has also been substantial component of lending and investment in agriculture.

The interest is charged at 6 per cent on Agricultural cooperatives are given an incentive of 1% (so that the effective interest is 5 per cent) if they repay the loan in due time. The outstanding loans increased from 66% in 1973 to 73% in 1975. However, JCO took effective steps to realise

TABLE 31

JCO SUPPLY ACTIVITIES IN 1975

Goods supplied to Co-ops	Quantity Tons	Value in JD.	Co-ops. Price	Market Price
Fertilizer				
Compound	905	70,590	78	92
Triple Super Phosphate	500	45,500	91	105
Mono Super Phosphate	1,200	27,600	23	25
Ammonium Sulphate	2,000	122,000	91.2	65
Plant and Seedlings				
Olive Trees	45,000	29,250	0.65	1
Vines	2,750	1,325	0.65	0.10
Fruit Trees	2,780	278	0.10	0.25
Improved Wheat Seeds	890	65,480	72	
Seeds for Vegetables		44,892		
Pesticides				
Insecticides	35,000	32,739	4% below market Price	
Herbicides	10	13,000	at cost price	
Sulphur	2,000	10,400	52	
Sacks and Wooden Boxes		22,295	15% below market Price	
Machinery				
Tractors	12	155,000		
Drilling Machines	7	8,051		
Spray Tanks	5	3,500		
Harvestors	2	13,000		
Bulldozers	1	14,500		
Water Tanks	12	4,200		
Knapsack Sprayers	68	952	16	24
TOTAL		199,183		

Source: Statistical Year Book, 1976, JCO, Amman, Jordan.

the overdues during the last few years. As a result, there are no loans outstanding now.

The rate of interest charged on medium and long-term agricultural loans is 4% if the credit is used by the co-operative itself. If it is meant for members, the rate is 5% and 4% in the special case of wheat projects. To cover their administration costs, the cooperatives add another 2% to the rate of interest before distributing among their members.

The increased farm production would have good effect on the economic condition of farmers if they are able to realise remunerative prices in the market. Therefore, cooperatives perform important function of distribution of farm inputs and out/outs. For a long time this aspect has been neglected. In 1975 fresh efforts were made with good results as can be seen from the figures in table 31. The farm inputs are distributed at subsidised prices. It led to increased consumption of fertilisers and growing use of farm machines.

There are 26 cooperative stores to handle distribution of essential customer goods at reasonable prices. The cooperative stores mark the beginning of cooperative marketing network in the agricultural sector.

However, Cooperative marketing societies are still in the initial phase of development. There are some Cooperative societies which have made significant achievement. For instance Salt Cooperative Society in Al-Azrag and the Taybe Tabacco Cooperative have been successful in marketing the products at remunerative prices. As the Cooperative movement Catcheson, the Cooperative marketing societies could become a normal feature of cooperative societies in rural sector. It has been the endeavour of JCO to maintain remunerative prices in case of agricultural produces. Since 1974, JCO has been importing farm inputs. It also made arrangements with some private companies for the supply of farm inputs at competitive prices. As a result, the JCO has succeeded to maintain delivery schedule and prices. The JCO maintains the stocks of key farm-inputs for timely supply at reasonable prices. For instance, JCO built a bulk store in Amman in 1979 to store the chemicals and fertilizers. As a result; there has been remarkable improvement in the availability of agricultural inputs. In fact, the supply business has become important contributor of the funds to the JCO. Besides, it also has favourable impact on the prices of agricultural inputs in the open market. The private dealers of the farm inputs have to compete with JCO. They are not able to raise the prices of inputs by creating artificial scarcity.

However success of cooperative societies depend on the training of JCO staff and the managers and availability of trained staff. The training of members of co-operative societies is organised by the Institute which conducts training programmes as follows:

a. Short courses for one or two weeks for the field staff with mainly agricultural experience, in financial accounting and in farmer credit counselling and farm planning.

b. Short-term Management Courses for JCO district staff and society manager.

c. A series of one-day schools and conferences are held in various parts of the country. These are attended by society members, JCO staff, the staff of other ministries and institutions as well as the committee and manager of the society operating in that area.

d. The mobile cinema is in constant use and has a full programme each year.

e. Directors of the districts meet each month in Amman to discuss the implementation of local, national and overseas training with the Director of the Training Institute. This is one item on the agenda of their regular monthly meetings.

f. Evaluation, and the follow-up visits to course participants are part of the field department's regular routines.

In 1975 the Co-operative Training Centre organised six courses with 168 trainees. Furthermore, it arranged 84 educational and cultural meetings in 8 different cities and 45 villages, with a total attendance of 19,568 persons. These meetings provided opportunity to impart training through speeches and lectures, discussion circles, educational pamphlets, and films.

Problems of Agricultural Cooperative Societies:

It is discernible from the discussion in the foregoing paragraphs that agriculture occupies pivotal role in the economic development of Jordan. It contributes 20 - 35 per cent of Gross Domestic Product and 60 per cent of the population are dependent on agriculture. It absorbs 40 per cent of the total labour force. The economy of Jordan therefore heavily depends on agriculture.

The problems confronting agricultural Cooperative societies are attributable to the following factors:

1. The institutional factors such as land holdings, and fragmentation;

2. Illiteracy of farmers;
3. Traditional pattern of cultivation; and
4. Exploitation of farmers by dealers.
5. Inadequate credit facilities.

Land holdings and ownership is the key factor underlying farm productivity and efficiency. In the regions of rainfed cereal cultivation, 10 per cent of the landowners have 35-45 per cent of the land area while the 75 per cent of landowners with the smallest ownership had about 30-40 per cent of the land area. It shows that the marginal farmers are the predominant section of the farming community in Jordan. The small holdings stand in the way of modernising the agricultural sector. It is beyond the means of a small farmer to adopt mechanised farming, use modern tools and apply the fertilizers due to excessive capital expenditure. It is not possible to check the fragmentation of landholdings due to inheritance law. Besides the loss of time in traveling from one field to another, there are frequent disputes on boundaries. The majority of the farmers do not lend support to the annulling of the inheritance law. The cooperative societies offered a solution to the problem by associating them into a group of individual farmers with common land and resources. It receives the popular support of the farmers to become members of cooperatives.

Form of land ownership is yet another problem arising from institutional weakness. According to Agricultural Census, (1975), almost three-fourth of the agricultural holdings in the East Bank were entirely owned by the operators. Of the remaining holdings, some were entirely rented, others were partly owned and partly rented. The preponderance of sharecropping has been a source of inefficiency in Jordan. The sharecropping is responsible for insufficient application of fertilizers and other variable farm inputs. The tenant is reluctant to undertake higher cost of modern technology because a fraction of incremental output is received by him. The problem can be tackled by terminating the tenancy system by means of legislation. In India, tenants have been made land owners by abolishing zamindari system (landlordism).

Besides, the stagnation in dryland crop production has been an outstanding problem in Jordan. Rainfed crop production in Jordan comprises a variety of crops. Wheat and barley are the most important crops. The barley is grown in the more arid areas. It is common to grow by rotation the wheat, lentils and water melon. In the hills, fruits and olive trees have been replacing the cereal crops. Wheat yields 75 per cent of the total value of dryland crop

production. There is insignificant increase in the wheat production since 1967. The yearly fluctuation in the dry land crop production has been pronounced by the erratic behaviour of rainfall in the area.

In less developed countries, breakthrough has been achieved in the dryland crop production by means of modern technology. New crops, improved seeds, increased water supplies, new inputs and other innovations have greatly accelerated agricultural growth. For the most part this has not happened in Jordan. In the first instance, the labour saving devices were used to replace human and animal power. But these mechanical devices have limited impact on the dryland crop production. There may be many reason for the insignificant impact of machines on crop production in the dryland area. Distorted prices and inadequate system of delivering them is largely responsible for poor response of individual farmers to modern technology in the dryland area of Jordan.

In India, the Green Revolution has been brought about by the development of high yielding seed varieties together with supply of modern technology. However, in Jordan, the experiment of India cannot promise sudden and remarkable gains because of the different characteristics of the arid land in Jordan. Nevertheless, it is necessary to adapt the

modern technology to the conditions in Jordan for more wheat production. However, it cannot be ruled out that a small minority of Jordan's dryland wheat farmers use fertilizers. There are many innovations which can be used in Jordan for higher dryland crop production. Chemicals, improved tillage practices, seed drill and rod weaders are quite appropriate for Jordan.

The majority of the farmers are ignorant of the techniques to treat the seeds scientifically. The cleaned seeds treated with fungicides is an innovation that has got to be popularised among farmers in Jordan. Although a programme of wheat breeding and testing has existed for years, but superior varieties of seed have not been made available to farmers. Its failure is accounted by the lack of coordination between research centers and the farmers. It highlights the importance of cooperatives in taking the discoveries of modern technologies to individual farmers.

The problem of agricultural development also includes improvement in the techniques of moisture-conserving village practices. The government has launched a programme of introducing new practices during 1967. Under the programme, demonstrations were conducted to popularise the packages of new practices. The demonstrations did not have the desired

effect on the attitude of the farmers due to excessive cost, high risk and uncertain return.

It is evident from the foregoing account of the problems of agricultural sector in Jordan that, in the first instance, institutional obstacles hinder the adoption of improved practices. They account for much of the shortfall in the adoption of modern technology. Improved tillage practices can be adopted when there are large sized, regular shaped and consolidated farms. The short, the small landholdings make it difficult to use the individual farm machinery such as tractors, combines, seed drills.

Inadequate education and illiteracy is also an obstacle in the adoption of new practices dryland farmers of Jordan. Though the Government is making serious efforts to educate the people in East Bank of Jordan, it will take time when the ideal level of literacy and education is achieved. However, it cannot be considered as a serious setback to the modernisation of agriculture in Jordan.

It is observed that, since 1973, the Government wheat price policy and the hold of private dealers on the market has acted against the interest of the wheat farmers. The government has not maintained relationship between the cost of farm inputs and the price of wheat. For instance, when

world grain prices skyrocketed in 1973 and 1974, the Jordanian Government deliberately held down the domestic prices of wheat without subsidizing the cost of farm inputs. The distorted farm input-output prices created disincentive among the wheat producers. Since 1975, there has been the supply of subsidized farm inputs. It served as an incentive to farmers in dryland area of Jordan to adopt modern farm practices.

In conclusion, it is worth citing the system of delivering new technologies and inputs to the farmers. As stated in the foregoing paragraphs, the farmers are not able to procure adequate supply of farm inputs at reasonable prices. The system of delivering the farm inputs in Jordan has both the private and the public components. In the private sector there are the suppliers of custom services and sellers of agricultural inputs. In general, the suppliers of farm machinery do not have adequate knowledge of using the new technologies. They cannot demonstrate the method of spraying the insecticides, pesticides, etc. Therefore, it is necessary to teach modern technologies both to the custom operators and the farmers.

The backbone of the cooperative movement in the first phase of its development, the Raiffeisen type of thrift and credit society, could not fulfil expectations, as its economic and social efficiency was rather low inspite of the great number of cooperatives of this type after 1967. These

societies did not succeed in stimulating saving activities and credit on local basis, neither did they assume additional function such as supply and marketing. Their functions were limited to the distribution of loans given by the JCO.

For this reason the agricultural cooperative societies have been favoured. These societies were created partly by amalgamation of small credit and thrift cooperatives and partly by formation of new societies. Additionally there exist several specialized agricultural cooperatives such as tobacco, olive oil press agricultural marketing and animal production cooperatives.

It is admitted on all hands that there have been deficiencies in the conception and execution of the official programmes. The demonstration programme was mainly based on the package approach. As a consequence, five or more improved practices were demonstrated as a single package to farmers in the dryland area. The drawback to the package approach is that it is difficult to induce a small farmer to adopt the whole package instead of using them singly and selectively. It arises from the lack of knowledge about the conditions of farmers in the dryland region. It is difficult for a small farmer to adopt the package of several practices due to high capital cost, high risk and lack of proper knowledge. It is

just possible that the success of the package approach in the East Jordan Valley led the Government to use the same method to introduce the modern technologies in the dryland region. But the climatic conditions are different in the two regions. The farmers in the East Jordan Valley are rich and prosperous as compared with general poverty among farmers in the drylands.

The package approach would have met with success if the extension workers were involved together with cooperatives in the dissemination of the knowledge about the new practices. For years, the agricultural extension service has fallen short of expectations. It calls for expansion of the extension services through cooperatives.

There is no denying the fact that agricultural cooperatives can be instrument to the agricultural development provided they succeed to provide farm inputs at low rates, market agricultural outputs at remunerative prices, establish processing units as viable economic activity in rural areas and, more significantly, supplies credit at concessional rates. It is observed that Cooperative societies have not been able to bring in their fold all the small farmers. To a large extent, the lack of education, customs and traditions of the rural community hinder the

progress of the agricultural cooperatives. It is necessary that a programme to propagate the principles of cooperation is undertaken by JCO.

CHAPTER-VII

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SUMMARY AND RECOMMENDATIONS

CHAPTER VII

SUMMARY AND RECOMMENDATIONS

This chapter presents a summary of the salient finding and recommendations of the research work entitled "The Role of Cooperatives in Economic Development of Jordan". Jordan has inherited from the past serious economic problems, deep rooted poverty and general backwardness. There was total dependence of the country on the primary industry. The primary industry was not run as a business during the days of Trans-Jordan. The farmers used to grow foodgrain for self-consumption. There was total absence of the means of transportation and communication between villages and the towns. The cluster of villages formed a single unit. The trade was not exposed to competition. The traditional practices of farming and manufacturing were a common sight in Trans-Jordan till 1947, when Hashemite Kingdom was established. The country was economically backward. Poverty was the biggest challenge to be tackled forthwith.

With the establishment of the Hashamite Kingdom, the country began to experience a change in the pattern of economic activities. The State Government took steps to create environment for the industrial development. However, there was not any perceptible change in the total economic

scenario of Jordan. The development in the beginning was left to market forces which allocated more of the resources to private entrepreneurs in the towns and the cities. The country heavily depended on imports from Palestine to meet its requirements of consumption and exported the primary goods including the industrial raw materials. The industry consisted of small units engaged in making salt, cement, etc.

The Arab-Israeli War, 1967, brought in its trail the menacing problem of economic survival for Jordan. Jordan lost whole of rich agricultural land on the West Bank to Israel and went reeling under the pressure of large scale influx of refugees. Immediately, the country had an acute problem of food, clothes and shelter. There were not many industrial activities in the country to provide employment to the people. The trade with West Bank had altogether ceased to exist. There was not enough foreign exchange available with the Government to finance its huge imports. The subsequent events made it necessary to develop the economy expeditiously. Growth and prosperity became the main objectives of the economic plans launched in 1973.

To deal with socio-economic problems in the post-war period, the plan gave priority to the development of agriculture. It was clear that the integrated projects would

only be effective for agricultural development. As a consequence the Government established agencies to coordinate the National Planning Council in different regions. The JCO and the Central Bank of Jordan undertook development of cooperative societies to involve farmers in the agricultural development. The institutions made provision for seeds, implements, farm machinery, as well as the loans on easy terms to farmers. The farmers are being acquainted with the modern techniques of farming through cooperatives. The training and education of farmers through demonstration is paying good dividends. In spite of natural constraints in the South, East and Northern Jordan, the modern techniques raised the production of wheat, barley, fruits and vegetables. There has been equal emphasis on the development of livestock and forest product for domestic market. The increase in the population of livestock and animal products has been quite substantial. It is the result of the schemes to open centres for the supply of good breed of cattle and plants for dairy products. Such schemes have been implemented in the cooperative sector in rural areas. The objective of the plans to establish processing and manufacturing units in rural areas is to reduce the pressure on land and to provide job opportunities to the people in villages so that there is not migration of people to towns in search of employment.

The industrial base of Jordan is not comparable to that of some other less developed countries. It does not have a wide industrial base. The main problems of the industrial sector (the secondary sector) are related to planning, management and availability of technical know-how. For these reasons, the industrial sector has not been able to make substantial progress.

Besides, the infrastructural bottlenecks have also been responsible for the retarded industrial development. Therefore, the plan has assigned importance to the development of the means of transportation, communication and the power system. It is envisaged in the plan to develop port facilities for larger exports. Road transport is being developed for efficient movement of goods and services. The Desert Highway, the road from Amman to Jerusalem on the West Bank and the asphalt roads have been built linking all the important towns in the country.

To attain the accelerated economic development, power system has been developed. Extensive explorative work is being undertaken by the Government of Jordan to develop both conventional and non-conventional power resources. The plans for the development of the conventional resources include solar and wind power. The non-conventional power resources

comprise the establishment of thermal power system to fulfill the domestic demand.

However, the capital expenditure on the plan projects has led to unfavourable balance of trade. On average, the trade deficit was of the order of \$ 2,000 m. per annum during 1980s. The country depends on foreign aid to finance its plans. The foreign aid component of the national budget is uncertain and unpredictable. Therefore, economic development does not keep a smooth pace. It undergoes vicissitudes according to the inflow of foreign aid. In short, technology and the capital are the crux of the problems of economic development.

In the second chapter, the development of agriculture has been examined with the view to identify its main problems. In the course of the study of the problem, it has been found that agriculture is one of the principal economic activity. It contributes 10 per cent of the national income and supports 15 per cent of the workers. It becomes a matter of national importance to be self-reliant in food specially after the loss of the West Bank to Israel as a result of Arab-Israeli War, 1967.

The Development Plans gave priority to the canals in Jordan Valley. For instance, the East Ghor Canal project was

launched between 1958 and 1963. The West Ghor Canal project was the part of the Jordan Valley Development plan financed by international agencies. The work on the canal was completed in 1979. Besides, in Jordan Valley modern means of irrigation and water management have been introduced. It also includes the drip irrigation system which was developed in 1968. The Jordan Valley Authority is responsible for the implementation of the development plans. It seeks to develop roads, marketing centres, schools and health services as well. In 1981, 22,000 ha of land was irrigated by means of green houses and drip irrigation techniques.

To make up the loss of food supplies, vegetables, fruits and dairy products as a result of Arab-Israeli War (1967), the Government assigned importance to the development of agriculture in arid areas. The problems in arid areas are quite different from the ones faced in the Jordan Valley. The farmers are poor, illiterate, and ignorant about modern agricultural practices. The weather conditions in Jordan are not suited to the techniques adopted in the Jordan Valley. For instance, the high yielding varieties of seeds successful in the Jordan Valley cannot be adopted in the arid areas of Jordan. In my opinion, it will not be possible for some time to make extraordinary achievement in agricultural development in the dryland. Financial and management problems have also

to be solved to make the package programmes of modernisation of agriculture successful in dryland area. Besides, I recommend that the farmers should be trained in the modern techniques. The farmers are not acquainted with the practices of using chemical fertiliser, moisture conserving methods, etc. The demonstrations conducted in dryland were not adopted by farmers due to high cost of the modern techniques. Of course, the farmers will be motivated to take to modern techniques if they stand to gain from higher production. Nevertheless, the annual variations in the rainfall in the area are responsible for the lack of application of chemicals and fertilisers. It requires long experimentation to establish a fair norm of inputs in the dryland area of Jordan.

The fragmentation and small land holdings are also the major constraints hindering the application of new technologies in dryland. I suggest that some inducement to the farmers for cooperative farming may be a positive approach to the problem of fragmentation and small land holdings. However, it should be preceded by the rationalisation of pricing policy of the Government. In 1972, the Government Wheat price policy was not based on price-cost relationship. Farmers did not receive remunerative prices. The government subsidised wheat imports and applied controls

on domestic price of the wheat. The aim was to hold down the price of the wheat in the domestic market. The policy succeeded to check the price of the bread at the expense of the farmers. The government can provide incentives to the farmers to grow more wheat by fixing remunerative prices.

I have no doubt that the inefficient distribution system is also responsible for inadequate supply of farm inputs. Both the private and public agencies are engaged in the distribution of fertilizers, pesticides, herbicides and seeds. The agencies are not able to impart training to the farmers as to how to use them. Therefore, the farmers have little interest in the modern farm technology. In my opinion, it is necessary to develop extension services for training the farmers in modern techniques of farming.

The limited success of the package programme is due to wrong assumption that farmers would adopt modern practices by means of interaction. In Jordan, the package practices programme comprises five or more new practices. The farmers are apprehensive of the risk, high cost and low return involved in modern technology.

Cooperatives play significant role in the modernisation of agriculture. The less developed countries have found the cooperative to be quite effective in respect of bringing new

technologies to the farm sector. In Jordan, no such role was assigned to cooperative societies until the mid-1970. However, the five year plan (1974-80) has cast the cooperative societies into the role of agencies for integrated development of agriculture in dryland. The cooperative societies function as the primary units of agricultural extension services. The cooperative societies cater to the credit needs of the farmers, besides the distribution of the inputs. The cooperatives hold the promise to fulfill the goal of modernising agriculture in the near future. The members of agricultural cooperative societies are provided with inputs and services at subsidised rates, viz., fertilisers, seedlings, packing material, etc.

During 1967 and 1974, there has been increase in the number of dryland farmers associated with multi-purpose agricultural cooperatives. The increase in membership of cooperative societies is the result of subsidised inputs and loans supplied to farmers.

However, cooperatives are confronted with certain problems. For instance, there is lack of coordination between the cooperative societies and the Ministry of Agriculture. For cooperatives to be effective it is necessary to coordinate the activities of the Jordan Cooperative organisation and the Ministry of Agriculture. Further,

autonomous cooperative system may be more desirable to discharge extensive functions. The constant government patronage, strict official control and supervision has stifled the growth of cooperatives.

It is worth noting that the cooperatives have not played an effective role in the attainment of objectives of five year plans (1976-80). The underlying factor is the lack of coordination between different agencies promoting dryland farming.

The livestock also constitutes a significant part of the wealth of agricultural sector. Less attention has been paid to the growth of non-poultry livestock, viz., sheep, cattle, horse, camels, etc. There has not been much increase in the output of the livestock in the post Arab-Israeli War period. The package of modern practices can bring about significant progress in the livestock production in the dryland areas. The package should comprise the better bred of cattle and the veterinary centres for the treatment of sick cattle. The state should also initiate measure to increase supply of fodder from range land. A part of grazing land should also be left ungrazed to check the denudation of the grazing land.

The absence of agricultural marketing system is also responsible for backwardness of agriculture in Jordan. There are a few marketing centres run by the farmers associations in some-districts. For instance, Irbid district has a highly competitive marketing system unlike the other districts where the farmers generally suffer due to predominance of the private dealers in agricultural produce market. To deal with the private monopoly, the Agricultural Marketing Organisation (AMO) has been established by the government. The AMO runs retail centres in Amman for distribution of vegetables at fair prices. The retails centres of the Agricultural Marketing Organisation have failed to have the desired effect on the private monopoly because of the government concern to hold the price of the agricultural produce for domestic consumers. The marketing system was not restructured to protect the farmers. It would go a long way if the cooperative societies are entrusted with the marketing of agricultural produce. They should assume the functions to supply the agricultural produce, fix the price and hold the stocks to iron out the seasonal fluctuations of the produce.

Inadequate credit to farmers in Jordan is a serious problem. They are indebted to landlords, money-lenders and the traders. Majority of farmers depend on money-lenders for

credit. Recently, a number of institutions including cooperative societies, have been set up to provide loans to farmers at concessional rate. For instance, the loan is provided by the Agricultural Credit Corporation, the cooperative credit societies, and the commercial banks. However, the small farmers are not able to avail of the institutional loans due to conventional terms and conditions. The small farmers are not in a position to furnish tangible securities. The big farmers get the institutional loans because they furnish the tangible security, due to sound financial position, political power and contact with officials.

The lack of uniformity in lending rates by different financial institutions illustrates absence of credit policy. I suggest that the uniform lend rate would induce the borrowers to obtain loans from other sources, viz., the commercial banks, as well. The procedure should be simplified to avoid delay in the provision of loans. Improvement in Agricultural Credit system is crucial for higher productivity.

In the third chapter, it has been examined as to whether the credit needs of the farmers have been fully satisfied. There are both the public and the private

financial institutions in the country providing credit to borrowers. The private capital is shy of investment in the agricultural sector due to high risk and low return as compared with loans to traders and industries. The government took initiative to establish specialised financial institutions to look after the credit needs of the farmers in view of the significance of the agriculture for the economic development of the country. In 1969, the Agricultural Credit Corporation (ACC) was established with the capital contributed by the government. The ACC enjoys autonomy to raise funds by means of borrowings in the capital market within the country as well as outside. All the funds are used by the ACC to meet the medium term and the short term credit requirements of the farmers. The loans are supplied by the Corporation at concessional rates. However, it strictly follows the recovery schedule. It imposes a penalty at a 1 per cent on the defaulters. The projects are taken up for financing by the ACC in accordance with the importance assigned to them in the development plans of the country. In this sense, the ACC is playing crucial role in the development of agriculture in consonance with the plans.

There is coordination between the ACC and other government agencies concerned with planning and the development of agriculture, viz., the Ministry of

Agriculture, the Higher because they use the public money. It is a matter of utmost significance to ensure security, liquidity and return of the funds investment. The financial institutions such as the Agricultural Credit Corporation can afford to relax the principles of sound banking in national interest. Besides, the sweeping powers of the ACC in respect of the recovery of the loans are also inhibiting the farmers to avail of the credit facilities provided by the ACC. It has the power to realise the loans from the sale proceeds of the mortgaged property. It would be desirable if the ACC does not exercise these powers in the interest of the farmers who are generally poor and illiterate. A benevolent attitude on the part of the ACC to realise the loans and the interest will have a favourable impact on the farmers to finance their operations with the soft loans which the ACC supplies.

The Government further fortified the rural credit system by establishing the Jordan Cooperative Organisation in 1968. The JCO functions as an apex institution to propagate the cooperative movement. It has been financing activities of both the agricultural and the non-agricultural cooperative societies, viz., the housing cooperative societies, the marketing cooperative societies, the processing and the manufacturing cooperative societies, and the multipurpose cooperative societies. Besides, the JCO has been undertaking

multifarious functions. It provides technical assistance to the member cooperative societies. It provides the training facilities for the organisation Agricultural Council (AC), the Registry Department and the Central Bank of Jordan. These organisations of the Government have their officials on the Board of the Agricultural Credit Corporation. The Board decides the lending and investment policies of the ACC in the light of the development plans. The Agricultural Credit Corporation does not compete with other financial institutions operating in the area. It does not sanction loans to farmers of the area where the financial institutions already exist.

However, the procedure to sanction loan is very cumbersome. A borrower is required to furnish information about the purpose of the loan, the size of the land holdings, the size of the family, his total liability, the type of agricultural activity going on the farm, etc. The first hand information is assessed by the exports before the loan is actually sanctioned. In other words, the credit worthiness is the basic principle of the ACC for sanctioning the loan. I feel that militates against the purpose of alleviating the sufferings of small farmers whose credit worthiness is obviously limited.

I recommended that the procedure should, be modified to do away with the restrictive condition of security and the credit worthiness. The purpose of the loan and the competence of the borrower to make productive use of the loans should be the primary considerations for the provision of the loans to farmers. For a banking institution it is necessary to follow the principles of sound banking and management of the cooperative societies. It also represents the cooperative movement in Jordan in international forums. In this sense, the JCO, besides being a financial institution, functions as the supervising and controlling body of the cooperative societies. Accordingly, the loans are sanctioned by the JCO to cooperative societies. It does not sanction loans directly to individual borrowers. However, only under exception circumstances, an individual borrower's application is considered for loan.

The procedure followed by the JCO lays emphasis on the credit worthiness of a cooperative society rather than the need for loan. For instance, it assesses the financial position of a cooperative society on the basis of the membership, the share capital, the reserve and the deposits on the Current Account with the JCO. The default in repayment of loans by a cooperative society renders it ineligible for further loans. It puts pressure on the cooperative societies

for the timely recovery of loans from the borrowers. Sometimes, the farmers have to liquidate the assets to satisfy the claims of the JCO. Moreover, the JCO emphasises the actual utilisation of the loan. It seem to it that the loans are not diverted to other non-productive purposes. To have an effective control on the borrowers, it sends out the inspection teams for reports on the progress of the projects. Besides, the loans are released in installments as the work on project progresses. It is time consuming and adds to the cost of the project. It is therefore suggested that there should be relaxation in the procedure to remove delay, and reduce the cost of the loans.

Besides, the financial institutions established by the government, there are certain private agencies in Jordan financing the farming activities. The Jordan Valley Farmers' Association illustrates the private agencies which are legal entity to function as private financial agency. However, its activities are regulated by the Jordan Valley Authority. It is not free to pass bye-laws without the approval of the Jordan Valley Authority. Perhaps, the JVA is vested with the controlling power to direct the JVFA according the development plan's priorities.

The JVFA largely operates with its own capital. It has not succeeded to attract deposits. Its competitiveness has been reduced by its limitations to offer attractive terms and conditions to the depositors. However, it is allowed to raise the funds from any sources. The funds raised by the JVFA are used to supply the term credit to farmers. The JVFA cancels the loans and proceeds to recover them if the borrowers are found diverting them to other purposes.

Money-lenders are deeply entrenched in the rural sector of Jordan. The small and the marginal farmers totally depend on them. The institutional finance is not generally available to them due to low credit worthiness. Besides, the loans are not provided by the financial institutions for social purpose. Therefore, they have to approach the money-lenders for loans. It is recommended that the financial institutions should include the social purpose as the genuine need of farmers for loans if their dependence on money-lender is to be done away with.

The dealers are also the willing suppliers of agricultural credit. The farmers are exploited in the process since the price is fixed by the traders. The farmers sell their produce to dealers under duress due to indebtedness. The financial institutions in the public sector should take

cognizance of the exploitative traders. The landlords and the families among themselves have the mutual arrangement of credit to finance the crop sharer as an incentive for higher productivity and maximum income. The families by mutual arrangement overcome the credit needs for small sums of money. The financing system in Jordan has yet to evolve fully in order to satisfy the credit needs of the farmers fully.

In Chapter IV, it has been examined that the institutional system in Jordan was not adequate to meet the challenges of agricultural development. The Government took the steps to make the cooperative movement strong by establishing the Jordan Cooperative Organisation in 1968. The Act postulates the following of the JCO.

1. To promote and organise the cooperative societies for multifarious functions.

2. To issue licence to a new cooperative society, order liquidation or amalgamation of the weak societies.

3. To provide guidance, technical assistance and direction to the cooperative societies.

4. To make the cooperative movement popular among people, the JCO undertakes publicity of the cooperative principles.

5. To develop cooperative banks in Jordan.
6. To develop cooperative marketing societies and other multi-benefit societies for the social welfare.
7. To act as liasion between the cooperative movement in Jordan and other foreign cooperative movement.
8. To provide loans and advances to the cooperative societies.
9. To amend the bye-laws of the cooperative societies.

In this sense, the JCO is an apex body of the cooperative societies to exercise control and supervision on them. The JCO is a complex organisation undertaking multifarious functions. It has a number of experts and advisers to deal with vital issues related to the working of the cooperative societies. It has several departments entrusted with specialised functions. For instance, its Cooperative and Project Department concentrates on the development of agriculture. The Finance Department, recently styles as the Cooperative Bank, mobilises the small savings. It accepts the deposits of money and performs all the banking functions. The JCO has established the cooperative centres to conduct courses for the staff, the seminars and

the conferences. It also carries out the evaluation and feasibility studies of the cooperative movement in Jordan.

The Jordan Cooperative Organisation plays crucial role in implementing the projects under the Five year Plan. The JCO finances the projects for the modernisation of agriculture. For increasing the agricultural production, the JCO finances the projects for the purchase of farm machinery and implements. It also provides loans for the projects for the soil conservation, preservation of humidity and water management. In 1990, it is provided medium-term loans of JD 239,000. For seeds, fertilisers, and chemicals, the JCO earmarked JD 350,000 in 1990. An amount of JD 33,000 was allotted by the JCO for the development of rangeland. The JCO has a provision of JD 196,000 for the training centres.

The consumers' cooperative societies have been operating in various parts of the country to serve as outlets for the agricultural produces. The consumers cooperative societies endeavour to put an end to the exploitation of farmers by the traders. The consumers are also able to get the agricultural produces at reasonable prices. An amount of JD 2.5 million is provided for the development of cooperative marketing societies in Jordan. Besides, the construction works schemes have also been undertaken by the JCO to provide

buildings to the cooperative societies. During the Five Year Plan, 1986-90, a fund of D 1879.5000 has been provided in the budget of the JCO. The JCO has started building storehouses for holding the buffer stocks of foodgrains. It has drawn up a plan for the storehouses at a cost of JD 445,000.

The Jordan Cooperative Organisation also undertakes numerous important projects in the non-agricultural sector. For instance, industries have been set up by the JCO in rural areas to supplement the income of poor and the marginal farmers and also to stem the migration of the population from villages to towns and cities. Besides, there is a comprehensive project to develop the cooperative transportation societies in rural areas. The Jordan Cooperative Organisation has provided loan of JD 137,345 to the non-agricultural cooperative societies. It constitutes 14 per cent the total loans sanctioned during 1986. The short-term loans claimed 55 per cent of the loans advanced by the JCO to the non-agricultural sector of the total loans, the JCO provided 86 per cent to the Agricultural cooperatives. In this sense, the agricultural sector received priority in the allocation of funds. However, the seasonal loans constitute the major component in the pattern of distribution of loans to the agricultural sector.

The JCO's efforts have not been effective to attract the farmer to the modern methods of farming. It has been observed that the farmers are not generally willing to avail of the credits provided by the JCO. It is attributable to the inconvenience to the farmers in obtaining the loans from the JCO. The procedure is time consuming and the terms and conditions are stringent. The JCO determines the amount of the loan to a cooperative society on the basis of its capacity. Its capacity is measured by the amount of a society's shareholders. Besides, the JCO lays emphasis on the security of the funds. It, therefore, takes into consideration the value of security furnished by a cooperative society. The viability and the national importance of a project is thoroughly examined by the JCO's experts. The farmers are too illiterate to prepare a sound project to meet the approval of the Jordan Cooperative Organisation. The purpose of various conditions is to ensure effective and efficient utilisation of funds. However, the conventional principles of lending and investment should be relaxed to fulfill the credit needs of the farmers. The small farmers cannot fulfill the conditions of securities and guarantees.

To recapitulate the foregoing suggestions, the JCO should follow rigid rules for lending funds to the

cooperative societies. It is desirable that the need of the farmers gets precedence over the safety of funds. The financial resources at the disposal of the JCO also constitute a major constraint on its capacity to fulfil the credit needs of the cooperative societies. Its resources comprise the capital, reserves and the loans and advances from internal and the external sources. It is necessary that the JCO should expand its banking activities to mobilise small savings. These measures would go a long way in making the JCO an effective organ to promote and develop cooperative societies for agricultural development on the one hand and invigorate the economy of Jordan as a whole on the other.

In Chapter V, it has been discussed that lending in rural areas is not an easy task. Besides financial constraints, it does not have adequately trained staff. It requires considerable reorientation of attitudes, policies, procedures and styles of operation. It involves going out to people, and not waiting for them to walk in. The cooperative provide institutional framework for the rural development. It is a serious problem of the country to raise the standard of living in rural areas and to stem migration of population to cities in search of jobs. Better job opportunities and the higher living standard can be realised when there is a specialised credit institution to provide funds to the

cooperative societies. With these objectives in view, the Jordan Cooperative Bank was set up in 1971. The Bank is a wholly owned subsidiary of the Jordan Cooperative Organisation. The bulk of the funds come from the accumulated reserves of the JCO and the Central Bank of Jordan. The share capital of the Bank is JD 1 million fully subscribed to by the Jordan Cooperative Organisation. Besides, the Deposits and the Current Accounts are the major components of the financial structures of the Jordan Cooperative Bank. For instance, the deposits and the Current Accounts were 40.1 per cent of the total resources of the Bank in 1989.

As for the working of JCB, the Bank has been providing loans to cooperatives to meet their ever growing requirements. The amount of the loans increased from JD 443.355 in 1973 to JD 5 million in 1981. It indicates the financing of cooperative societies by the Jordan Cooperative Bank at a phenomenal rate for the modernisation of the rural areas.

However, the Bank faces some serious problems in financing the cooperative societies. The small farmers and the landless workers are not able to get the loans from the Bank due to ignorance, illiteracy and poor credit worthiness. Credit facilities to such farmers can become available if the

right type of credit agents are developed, through a well-developed and well-designed recruitment training programme, supported by a system of incentives and rewards. In villages, it is not sufficient to provide credit, but also the knowledge and the information on inputs and marketing is equally essential. Of no small consequence is the fact that the programme to develop entrepreneurship among the villagers should be prepared in association with the local people. So far, the man behind all these activities has either been ignored or not considered important at all. The potential borrowers should be identified and trained in all aspects of management.

A cursory look at the working of the JCB I suggests that the current practice of the Jordan Cooperative Bank to fulfil a given target has been responsible for ineffective utilisation of the funds. The target oriented approach leads to faulty appraisal. This, in turn, gives rise to the problem of tardy supervision and consequent diversion of funds. Besides, thinly spreading of resources over large areas is neither conducive to rural development, nor to optimum utilisation of available resources. In my opinion, it is essential for banks to adopt integrated 'area approach' in place of the target-oriented policy.

The 'integrated area' approach presupposes development of the ability of environmental analysis for the benefit of the programmes to the rural sector. The environmental analysis is now accepted a part of forecasting the credit requirements and intelligent banking. The environmental analysis is related to the analysis of the factors which affect the banker both directly and indirectly, viz., the local complexion of the credit needs, the demand for credit from business units and the conditions existing in the money market. In other words, the fund-flow, the agriculture, the business and the financial institutions influence favourably or unfavourably any programme of change. Although the farmers and the businessmen are the potential customers of the bank, they can create bottlenecks for any development programme. In rural areas, the pattern of society is comprised of heterogenous groups, viz., the traditional leaders, the religious groups, the political leaders and the assorted opinion leaders. While the first three are easily identifiable, the opinion leaders are difficult to be identified. For the success of a programme the opinion of the opinion-leaders is essential specially because the business community and the money-lenders usually try to turn any programme of modernisation to their favour. It is upto the

banker to handle them carefully and given them due importance.

In Jordan, spontaneous growth of cooperatives has not taken place because of the predominance of the State in their management. As a result, the cooperative institutions at higher niche owe their existence to the initiative of the Government. No wonder, therefore, these federations regard themselves as government departments. This attitude runs counter to the cooperative principle of mutual help. It is necessary to develop a cooperative common-wealth on the basis of the principle of mutual help which should involve independent and separate cooperative societies formed by the weaker section of the society. Even in the overall strategy of agricultural development, it seems pertinent to have cooperative federations including the cooperative banks, A greater emphasis on 'cooperative federalism' would result in a more balanced development of the rural sector.

The Jordan Cooperative Bank occupies an important place in the entire cooperative credit system. The future of the Jordanian farmers depends upon the Jordan Cooperative Bank. In future, the Bank should support the entire agricultural production process. In fact, the Jordan Cooperative Bank must widen its scope to provide loans for all-round development of agricultural sector.

In Chapter VI, it has been examined that agricultural development is presaged by the growth of cooperative in Jordan. It is true that the Government had taken initiative to establish the Agricultural Credit Corporation (ACC) in 1969 with the objective to provide credit to farmers. Later on, it was felt that the ACC has not been successful to pave way for the development of agriculture. The agricultural sector was handicapped by the inadequate supplies of inputs and the absence of marketing system for the distribution of its outputs. Besides, the cities were glowingly becoming the centres of employment and investment for the population migrating from villages. The migration of population from rural areas had to be abated by improving the quality of life and developing the agriculture and the small agro-industrial units. Therefore, the cooperative movement in Jordan is oriented towards the development of agriculture. The agricultural development has been regarded as the pace setter of the economic development in the country. In this sense, the cooperative societies are instrumental to the development and progress of the national economy.

The Jordan Cooperative Federation was the apex body to provide loans and advances to the primary cooperative societies. The JCF was set up in 1959. The other apex

cooperative institutions came into existence between 1963 and 1966, viz., the Cooperative Auditing Federation, the Cooperative Institute, the Cooperative Olive Oil Union and the Cooperative Marketing Federation.

The Arab-Israeli War made it necessary to reorganise the cooperative movement in Jordan because of the loss of 60 per cent of the cooperative societies in the West Bank. The Cooperative institutions had suffered heavy losses by way of assets confiscated by the Israelis. To achieve this objective, the Provisional Cooperative Law No.55 was passed in 1968. It envisaged to establish the Jordan Cooperative Organisation (JCO) in 1968 to manage all the activities of the cooperative societies in the country.

Since the inception of the Jordan Cooperative Organisation, the number of cooperative societies has increased from 41 in 1952-53 to 423 societies in 1987-88. The capital and reserves of the societies increased from JD 11,871 to JD 158, 19442 during the period under review. The same hold true in the case of members rising from 2,000 in 1952-53 to 46,572 in 1987-88. To avoid duplicity of apex cooperative bodies, they have been merged into the Jordan Cooperative Organisation and function as its departments.

The loans and advances by the JCO have been linked to the projects for the development of agriculture within the framework of the national five year plans. For instance, the medium and the long-term are provided for the permanent improvement of land and purchase of farm machines. It also finances the irrigation projects for the application of modern farm inputs, viz., the fertilizers, the chemicals, etc. The seasonal loans are provided to farmers through the cooperative societies for the seasonal operations, including the procurement of high yielding varieties of seeds, the fertilizers and insecticides. To deal with the ignorance and illiteracy of farmers immediately, it carries out demonstration of the modern practices of farming. They have established the extension service centres where the farmers are able to get familiarised with the modern agricultural practices. The vocational courses for the children of farmers and for those who want to take to farming as a vocation have been organised by the JCO.

The Jordan Cooperative Organisation has also undertaken to establish the multi-purpose cooperative societies. There are more than 11,000 members of the multi-purpose cooperative societies. These societies hold more than JD. 450,000 paid-up capital and JD 250,000 of reserves. These societies are providing full range of services to farmers, viz., the

marketing services, the supply of farm inputs, the transport services as well as loans and credit.

The cooperative societies provide concessional loans to farmers. They charge 6 per cent of interest on seasonal loans, 4 per cent of medium term. The Jordan Cooperative Organisation allows 1 per cent of rebate for payment of loans together with interest on due date.

The Jordan Cooperative Organisation built 26 godowns for building the buffer-stocks of foodgrains in the country. However, the cooperative marketing societies have not been developed fully; they are still in the initial stage of the development. The cooperative marketing societies are not functioning in all the rural sectors. There are a few cooperative marketing societies in the Jordan Valley. The farmers of the north-and-the south Jordan have yet to avail of the benefits of the cooperative marketing societies.

The development of agriculture has been thwarted by the following serious problems:

1. The institutional factors including small landholdings;
2. Illiteracy of farmers and their ignorance about the utility of cooperative movement;

3. Prevalence of traditional farming practices;
4. Exploitation of farmers by money-lenders and private dealers; and
5. Absence of multipurpose cooperative societies including the cooperative marketing societies.

I believe that the cooperative societies would be an effective instrument in the development of agencies if a flexible approach is adopted by the JCO in place of absolute insistence on the projects included in the national five year plans. However, the cooperative societies have been able to make a dent in the stagnant position of agriculture in Jordan. There has been increase in the contribution of agricultural section to Gross Domestic product and provision of jobs. The agriculture contributes 25-30 per cent of GDP and supports 60 per cent of the population. It absorbs 15 per cent of the total labour force in Jordan. However, the cooperative societies have not been able to provide full coverage to all the farmers as indicated by the number of members and the extent of services. It would become a universal institution in the country provided the problems cited above are dealt with expeditiously.

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